

2006 Price Index of Operating Costs

April 26, 2006

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2006 Price Index Of Operating Costs

what's new

- ✓ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings (PIOC) increased 7.8% this year.
- ✓ Costs in pre-war buildings increased 8.4% and costs in post-war buildings rose 7.4%.
- ✓ 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 5.3% this year.
- ✓ Fuel oil costs increased 22.8%.
- ✓ Real estate taxes rose 7.8% primarily due to a rise in assessments for Class Two properties.
- ✓ Labor Costs rose 2.5%.
- ✓ The Utilities component increased by 7.9% due primarily to increases in gas costs.
- ✓ Insurance Costs grew by 2.5%.
- ✓ The Price Index of Operating Costs for Rent Stabilized Apartment Buildings is projected to increase 6.2% next year.

Introduction

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

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



The PIOC measures changes in the cost of purchasing a specified set of goods and services, which must remain constant both in terms of quantity and quality from one year to the

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

Changes in the overall PIOC result from changes in the prices of individual goods and services, each weighted by its relative importance as a percentage of total operating and maintenance (O&M) expenditures. Because the market basket is fixed in the sense that the quantities of goods and services of each kind remain constant, the relative importance of the various goods and services will change when their prices increase either more quickly or more slowly than average. Thus, the relative importance, or weight, attached to each good or service changes from year to year to reflect the different rates of price change among the various index items. The expenditure weights used in the construction of the 2006 Price Index are based upon the 1983 Expenditure Study and are revised on the basis of annually measured price changes from 1982-2005.

terms and definitions

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

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

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

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

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

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

The importance of each index component is shown by its "expenditure weight" (see Appendix 2). The measured 2005-06 price changes in each index component are also presented in this appendix. The expenditure weights and the 2005-06 price changes are then combined to provide the overall change in the PIOC over the period from 2005-06.

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 7.8%, 2.0 percentage points above the PIOC percentage change from the year before (5.8% in 2005). The PIOC was driven upward by increases in fuel costs (22.8%), real estate taxes (7.8%), and utility costs (7.9%). These increases were offset by more moderate growth in both insurance and labor costs of 2.5%. Increases in the remaining four cost components ranged from 4.5% to 6.5%. See the adjacent table and Appendix 2 for changes in costs and prices for all rent stabilized apartment buildings from 2005-06.

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 5.3% this year, which was more than the growth in the Consumer Price Index (CPI) of 3.8%.¹

apartments

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

Taxes	7.8%
Labor Costs	2.5%
Fuel	22.8%
Utilities	7.9%
Contractor Services	5.9%
Administrative Costs	6.5%
Insurance Costs	2.5%
Parts and Supplies	5.5%
Replacement Costs	4.5%
All Costs	7.8%

Price Index Components

Taxes



The Tax component of the PIOC is based entirely on real estate taxes. The change in tax cost is estimated by comparing aggregate taxes levied on rent stabilized apartment houses in Fiscal Year (FY) 2005 and FY 2006. The tax data was obtained from the New York City Department of Finance.

Real estate taxes rose this year by 7.8%, a larger rise than the 1.2% increase seen last year. The change in taxes was primarily due to a rise in assessments. In addition, the tax rate for Class Two properties, the category that contains the vast majority of rent stabilized buildings, increased by 1.5%. Increases in assessments and the tax rate were somewhat offset by an increase in the number and value of tax exemptions. Abatements had nearly no impact on taxes this year.

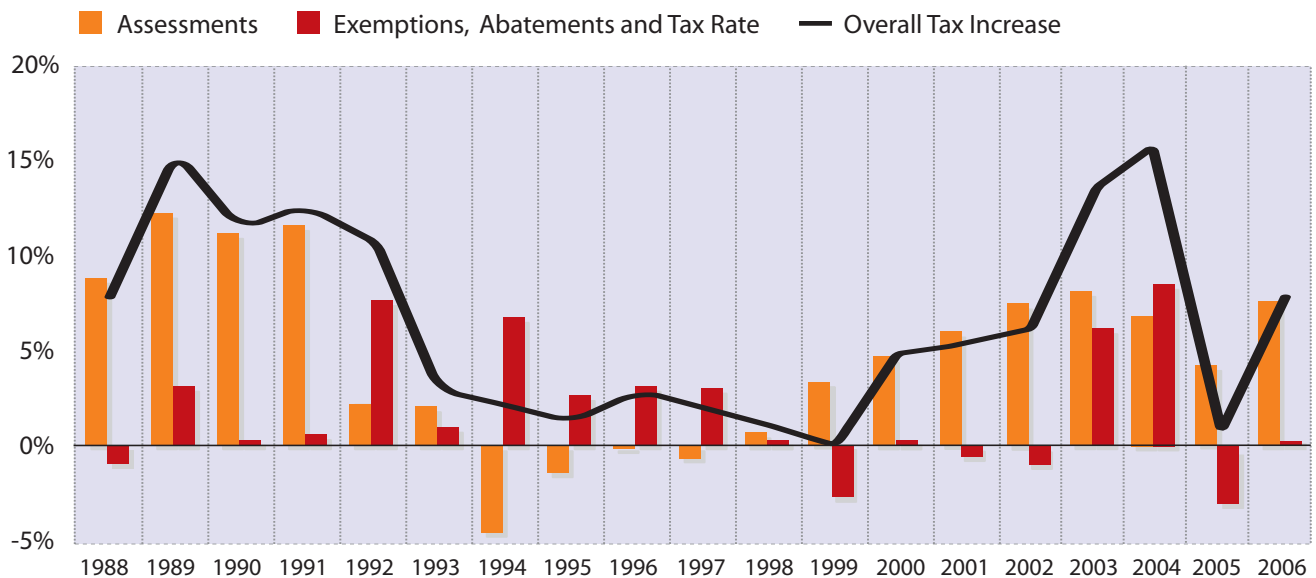
Tax Levy — The total tax levy for all properties in the City (commercial and residential) increased by 7.5% from FY 2005 to FY 2006. The Class Two property levy rose more than that of the City as a whole, at a rate of 9.2%. The distribution of the levy among property classes tends to shift from year to year. From FY 2005 to FY 2006, the levy share for Class Two properties increased, by 0.5 percentage points, from 34.9% to 35.4% of the total tax burden, nearly the same percentage recorded in FY 2004 (35.6%).

Tax Rate — The FY 2005 Class Two tax rate of 12.216 increased by 1.5%, resulting in a new annualized rate of 12.396 for FY 2006. This increase follows a 3.2% decrease in the tax rate levied in FY 2005. Prior to last year's decrease, significant increases in the tax rate for Class Two properties were seen in FY 2004 and FY 2003 of 9.3% and 7.3% respectively.

Assessments — In FY 2006, assessed valuations of rent stabilized properties rose by 7.5% citywide. This rise in

Percent Change in Taxes due to Assessments and Exemptions/Abatements/Tax Rate 1988-2006

The Growth in Real Estate Tax Cost is Primarily Due to a Rise in Assessments



Source: New York City Department of Finance

assessments was greater than last year's increase, the first time since FY 2003 that the increase in assessed valuation was higher than the previous year. All five boroughs showed increases in assessments. Assessments rose 7.5% in Manhattan, 7.4% in the Bronx, 6.6% in Brooklyn, 8.1% in Queens, and 6.6% in Staten Island.

The change in assessed valuations of rent stabilized buildings in New York City has fluctuated following the cycles in the real estate market. Assessments rose dramatically from the late 1980s through 1991, increasing 8% or more each year (see graph on the previous page). In FY 1992 and FY 1993, the increase in valuations for stabilized buildings slowed to 2% per year. The impact of the recession was finally reflected in tax bills the following two years — valuations dropped 4.7% in FY 1994 and 1.3% in FY 1995. Smaller decreases occurred in the next two years. From FY 1998 to 2003, assessments increased each year at a higher rate than the previous year. Increases in assessed valuations were not as high as the year before in both FY 2004 and FY 2005.

Abatements and Exemptions — This year, the number of rent stabilized buildings with abatements increased by 3.3%. However, the average benefit value of the typical tax abatement decreased, by 3.0%, from FY 2005 to FY 2006. The net impact of the increase in the number of abatements and in the decline in the average abatement value was a negligible decrease in the tax liability for rent stabilized buildings of 0.005%.

In FY 2006, both the number of buildings receiving exemptions and the value of average tax exemptions increased. Overall, 4.1% more rent stabilized buildings benefited from tax exemptions than the year before while the average value of exemptions rose by 6.1%. For all stabilized properties, the rising number of exemptions combined with the rise in the value of tax exemptions reduced owners' tax bills by 1.2%. (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 roughly 14% of the overall Price Index.

Labor Costs rose 2.5%, one percentage point lower than last year's PIOC (3.5%). The rise in Labor Costs was less than in 2005 due to smaller increases in non-union wages and union benefit contributions as well as a decrease in cost of unemployment insurance.

For the past thirteen years the growth in non-union labor pay has outpaced union labor wages. Non-union pay increased by 3.1% compared to 3.9% in 2005. Unionized wages as a group increased by 2.6%, a similar increase to last year (2.5%). Employers saw a rise in the cost of union benefit contributions of 1.1%, which was less than the 6.9% increase recorded in the previous PIOC. Due to the dip in the New York City unemployment rate over the past twelve months, the cost of unemployment insurance declined 2.7%.

Fuel



The Fuel component comprises roughly 11% of this year's Price Index. The change in cost measured in this component considers both the change in weather and the change in prices for the three types of heating oil used to heat multi-family buildings in New York City. First, the PIOC measures fuel prices from May to April and then compares them to the same months from the previous year. Over the past twelve months, fuel oil prices increased by 28.2%. Increases in prices for #4 and #6 fuel oil of 31.5% and 36.4% respectively were offset by a lesser increase in prices for #2 fuel oil, which comprises more than half of this component, of 24.1%.

Second, along with measuring price, the PIOC also takes into account the effect of weather on the demand for fuel oil, especially during the heating season when the large majority of the fuel is burned. Since this year was warmer than last year, weather decreased the demand for fuel. The combination of the rise in heating oil prices and the decrease in demand increased the cost owners incurred for heating their buildings with oil by 22.8%.² This increase is 2.8 percentage points higher than the growth in fuel costs calculated in last year's PIOC.

Utilities



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

This year Utilities increased 7.9%, which is lower than last year's increase of 8.4%. Gas costs, which account for roughly a third of the Utilities component, increased 21.7%. The increase in gas cost was offset by a lower increase in water and sewer costs of 3.0% and a decrease in electricity cost of 8.1%.³ Steam costs increased 26.4% and telephone costs decreased 0.17%.

Contractor Services



The Contractor Services component rose 5.9%, the highest increase in this component since 1990. This increase was 1.4 percentage points higher than last year's growth of 4.5%. The most important items in this component by weight are repainting and plumbing rates, which comprise two-thirds of the Contractor Services component.

For the first time in five years, repainting rates increased more than those for plumbing. Painters' rates rose by 6.1% while rates charged by plumbers increased by 3.1%. Painters reported that an increase in the cost of labor, paint, gas, and insurance were all factors which led to an increase in their rates. Plumbers indicated that the increase in their rate was due to rises in the cost of labor, materials, and insurance.

Nearly all items in the Contractor Services component experienced some rise in prices or rates for services. Boiler Repair (509) showed the highest increase of any item in this component due to the inclusion of boiler inspection and certification fees. The rise in the price for oil-based materials used by roofers contributed to the 7.1% rise in the cost of Roof Repair.

The cost for Floor Maintenance remained flat. All other items in this component had price relatives ranging from 0.6%-6.9%. (See Appendix 2)

Administrative Costs



The Administrative Costs component rose 6.5%. This increase was 2.5 percentage points above the previous year's growth and the highest increase in this component since 1990. 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 (7.9%) that comprise over two-thirds of this component. Management fees are often tied to apartment buildings' rental income and are affected by changes in rents and vacancies. This year's growth is higher than last year's (4.6%), indicating that management companies raised their fees and/or rents increased at a higher rate than last year and there were fewer vacancies in the buildings they manage.

Accounting fees increased in this year's PIOC by 3.9%, 0.8 percentage points lower than last year's rise of 4.7%. Accountants reported that increases in their cost of labor and the rise in inflation led to higher rates. Attorney fees rose 2.0%, 1.8 percentage points higher than the prior year's increase of just 0.2%.

Insurance Costs



Insurance Costs increased this year by 2.5%, 6.4 percentage points lower than last year's increase in costs of 8.9%. This is a more moderate increase compared to the past four years 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%.

This year, the RGB staff examined the change in insurance cost by building size. Buildings that contained 20 units or less saw the cost of insurance increase 5.7%. The cost of insuring a building with 21 or more units increased by 0.5%.

Roughly 9% of building owners responding in this year's survey reported a change in insurance carriers for the surveyed building in the past year. This percentage is down from 17% in 2005. Owners who changed carriers experienced a larger rise in costs (3.8%) than the overall increase for insurance. Those owners who changed the amount of coverage on their buildings, such as increasing the insured value, saw a 6.9% rise in costs. Of the owners that changed the amount of coverage on their renewal policies, 76% increased the amount for which the building was insured while 15% increased the maximum liability coverage.

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 5.5%, 2.9 percentage points higher than last year's increase of 2.6% and the highest increase since 1990. The growth in this component was driven by an increase in price for items that contain chemicals, such as pine disinfectant, paint, detergent, and floor wax.

Replacement Costs



The Replacement Costs component is even less significant than the Parts and Supplies component, its weight being less than 1/100th of the PIOC. This year there was an overall increase in Replacement Costs of 4.5%, the highest rise in this component since 1982, when costs rose 6.8%. This increase is reflective of the rising cost of steel, which is used to produce items in this component such as refrigerators and oven ranges.

Rent Stabilized Hotels

The Hotel Price Index includes separate indices for each of three categories of rent stabilized hotels (due to their dissimilar operating cost profiles) and a general index for all stabilized Hotels. The three categories of hotels are: 1) "traditional" hotels — a multiple dwelling which

has amenities such as front desk, maid or linen service; 2) Rooming Houses — a multiple dwelling other than a hotel with thirty or fewer sleeping rooms; and 3) single room occupancy hotels (SROs) — a multiple dwelling in which one or two persons occupy a single room residing separately and independently of other occupants.

The Price Index for all stabilized Hotels increased 7.5% this year, 1.8 percentage points higher than the 5.7% increase found the year before. The Price Index for Hotels was just 0.3 percentage points lower overall than the increase in costs measured in the Apartment Price Index. The primary difference between the increase in the Hotel Index and the Apartment Index was in the Utilities component. The increase in Utilities for all types of Hotels was 3.8% overall versus 7.9% in apartment buildings. This disparity in utilities cost placed downward pressure on the Hotel Index, resulting in an index that was slightly lower than that for apartments.

Prices in all other components in the Hotel Index had similar changes in rates to the same components in the Apartment Index. Taxes increased in Hotels by 8.4%, 0.6 percentage points higher than for apartments. Labor Costs increased more rapidly in Hotels (3.6%) than the 2.5% rise in apartments. Conversely, the rates for Contractor Services did not rise as quickly in Hotels (4.3%) as they did in apartments (5.9%) this year. Because the Contractor Services component is less important in the Hotel Index (accounting for about 8% of the weight) than in the Apartment Index (about 13% of the weight), the lower increase in maintenance rates did not offset the overall Hotel Index significantly. Insurance costs increased at the same rate in both indices and Fuel costs were slightly higher in the Apartment Index. See the table on the next page for changes in costs and prices for all rent stabilized hotels from 2005-06.

Among the different categories of Hotels, the index for "traditional" hotels increased 7.9%, the index for Rooming Houses increased 7.2%, and SROs increased by 8.3%. The differences between these indices are primarily due to the increased weight placed on the Tax component for "traditional" hotels and the disparity among the three hotel types in the weights for the Fuel and Utilities components. (See Appendices 4 and 7)

Rent Stabilized Lofts

The increase in the Loft Index this year was 6.4%, 1.4 percentage points lower than the increase for apartments. This difference is explained by the fact that Labor Costs for lofts increased by 1.9%, compared to 2.5% for apartments, and that Attorney fees, which rose 2.0%, are much more important for lofts than for apartments. In addition, the increase in the Utilities component was 6.5% for lofts versus 7.9% for apartments. These three disparities placed more downward pressure on the Loft Index. See the table on this page and Appendix 8 for changes in costs and prices for all rent stabilized lofts from 2005-06.

The Core PIOC

The Core PIOC (see graph on the following page), which measures long-term local trends by factoring out shifts in fuel costs, gas, and electricity rates, rose 5.3% in 2006. The rise in the 2006 Core was 1.9 percentage points lower than last year's Core PIOC projection of 7.2%. The Core was lower than projected due to lower increases than projected in both Taxes and Insurance Costs. Taxes rose 7.8% versus the 12.7% projection while Insurance Costs rose 2.5% versus the predicted rise of 7.9%. Parts and Supplies and Replacement Costs components, which account for roughly 2.5% of the entire 2006 Core, rose 4.3 and 3.4 percentage points higher than projected. All of the remaining changes in the core components in the 2006 projected core and the 2006 actual core show agreement within 2.1 percentage points.

PIOC Projections for 2007

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

It is important to note that changes in costs and prices after April 2006, 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 page 9), which calculate one- and two-year guidelines that will compensate owners for the most recent change in costs measured by the Price Index. The PIOC Projection should not be considered in combination with these newer formulas in establishing guidelines.

Projecting changes in the PIOC has become more challenging in recent years. Energy prices — which affect about one-fifth of the market basket of operating costs measured in the index — have become increasingly volatile. Unpredictable geopolitical events and changing weather patterns are some of the forces behind large

hotels

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

Taxes	8.4%
Labor Costs	3.6%
Fuel	22.3%
Utilities	3.8%
Contractor Services	4.3%
Administrative Costs	6.3%
Insurance Costs	2.5%
Parts and Supplies	4.7%
Replacement Costs	1.6%

All Costs 7.5%

lofts

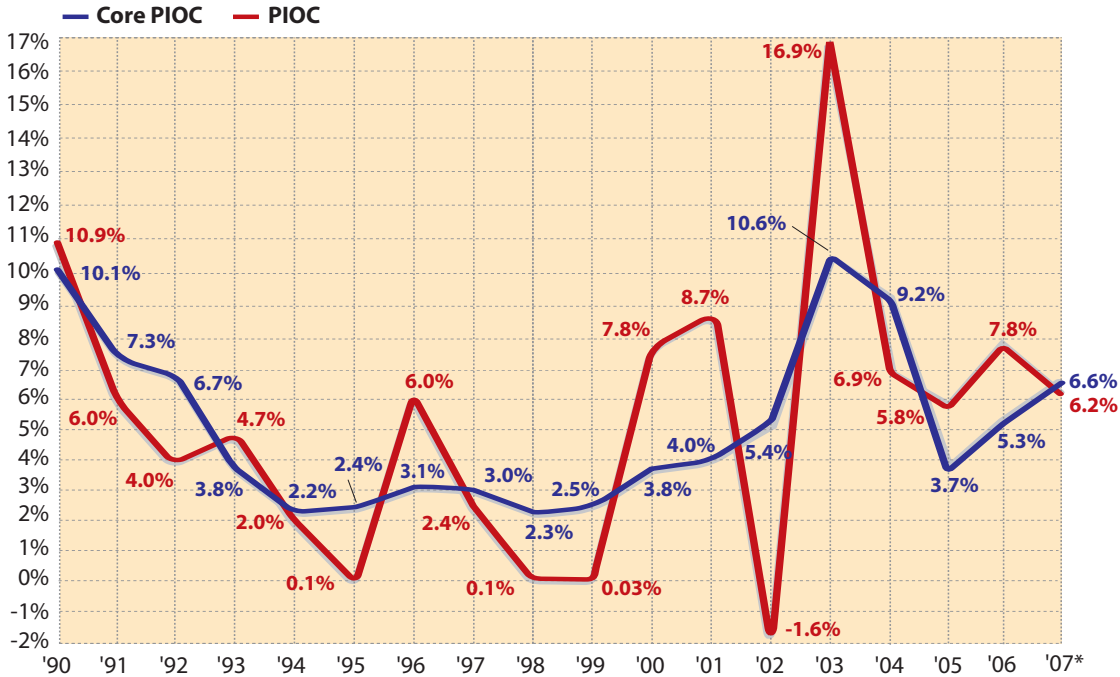
Change In Costs for Rent Stabilized Loft Buildings, April 2005 to April 2006

Taxes	7.8%
Labor Costs	1.9%
Fuel	24.1%
Utilities	6.5%
Contractor Services	5.9%
Administrative Costs, Legal	2.0%
Administrative Costs, Other	7.1%
Insurance Costs	2.5%
Parts and Supplies	5.5%
Replacement Costs	4.5%

All Costs 6.4%

Percent Change in the Price Index of Operating Costs and the Core PIOC, 1990-2007

For the Second Consecutive Year the Increase in the “Core” PIOC was Lower than the Apartment PIOC



*Note: The percent change for 2007 is estimated.
Source: Price Indices of Operating Costs, 1990-2006, PIOC projection for 2007

changes in fuel-related costs (heating fuel, electricity, gas and steam) that have in turn hindered the accuracy of the PIOC projections in recent studies. Insurance prices have also become increasingly volatile in the past several years, making it harder to accurately project these costs.

This year, operating costs in rent stabilized apartment buildings increased by 7.8% versus last year's projected PIOC increase of 6.7%.

The three components that showed the most variance between actual changes in costs versus projected changes, Fuel, Insurance Costs, and Utilities, are historically among the most volatile components of the PIOC, making it difficult to predict future changes in costs. Fuel increased by 22.8% in 2006 versus the expected increase of 6.7%, a difference of 16.1 percentage points. The major reason for the disparity in the fuel costs projection versus the actual 2006 costs can be attributed to the prediction that fuel prices would

increase moderately (4.9%), when in fact they witnessed high increases.⁴ Insurance Costs, another increasingly unpredictable component, rose 2.5%, compared to the projected increase of 7.9%. The actual increase in Utilities (7.9%) was 5.9 percentage points higher than the anticipated increase of 2.0%. The projected increase in Taxes (12.7%) was 4.9 percentage points higher than the actual tax increase for 2006. Parts and Supply and Replacement Costs components rose 4.3 and 3.4 percentage points higher than projected. All other 2006 projected components of the PIOC were within 2.1 percentage points of the actual measured changes.

Overall, the PIOC is expected to grow by 6.2% from 2006 to 2007, with projected increases in every PIOC component. The three most volatile components, Fuel, Insurance Costs, and Utilities, are projected to rise 3.7%, 7.5%, and 7.3% respectively. Taxes are projected to increase 9.3% due to an increase in the tax rate and

2007 projections

Projected Change In Costs for Rent Stabilized Apartment Buildings, April 2006 to April 2007

Taxes	9.3%
Labor Costs	2.9%
Fuel	3.7%
Utilities	7.3%
Contractor Services	4.8%
Administrative Costs	4.8%
Insurance Costs	7.5%
Parts and Supplies	1.5%
Replacement Costs	1.3%
All Projected Costs	6.2%

billable assessments for Class Two properties. Contractor Services and Administrative Costs are expected to rise at the same rate (4.8%) while Labor Costs are projected to increase by 2.9%. The table on this page shows predicted changes in PIOC components for 2007. The core PIOC is projected to rise more rapidly than the overall PIOC, by 6.6%.

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 7.8% increase in the PIOC is 6.5% for a one-year lease and 11.0% for a two-year lease. Guidelines using this formula and adding assumptions for the impact of vacancy increases on revenues when apartments experience turnover are 5.0% for one-year leases and 9.5% for two-year leases.

The second commensurate method considers the mix of lease terms while adjusting NOI upward to reflect general inflation, keeping both O&M and NOI constant. This is commonly called the “CPI-Adjusted NOI” formula. A guideline that would preserve NOI in the face of the 3.8% increase in the Consumer Price Index (see Endnote 1) and the 7.8% increase in the PIOC is 8.0% for a one-year lease and 13.5% for a two-year lease. Guidelines using this formula and adding the estimated impact of vacancy increases are 6.5% for one-year leases and 12.0% for two-year leases.⁵

The original formula that has been in use since the inception of the Rent Guidelines Board is called the “traditional” commensurate adjustment. The “traditional” commensurate yields 5.3% for a one-year lease and 7.5% for a two-year lease, given the increase in operating costs of 7.8% found in the 2006 PIOC and the projection of a 6.2% increase next year.⁶

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

commensurates

"Net Revenue" Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
6.5%	11.0%

"Net Revenue" Commensurate Adjustment with Vacancy Increase

<u>1-Year Lease</u>	<u>2-Year Lease</u>
5.0%	9.5%

"CPI-Adjusted NOI" Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
8.0%	13.5%

"CPI-Adjusted NOI" Commensurate Adjustment with Vacancy Increase

<u>1-Year Lease</u>	<u>2-Year Lease</u>
6.5%	12.0%

"Traditional" Commensurate Adjustment

<u>1-Year Lease</u>	<u>2-Year Lease</u>
5.3%	7.5%

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.⁷

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

Finally, it is important to note that only the "traditional" commensurate formula uses the PIOC projection and that this projection is not used in conjunction with or as part of the "Net Revenue" and "CPI-Adjusted NOI" formulas. As stated previously, all three formulas attempt to compensate owners for the adjustment in their operating and maintenance costs measured each year in the PIOC. The "Net Revenue" and the "CPI-Adjusted NOI" formulas attempt to compensate owners for the adjustment in O&M costs by using only the known PIOC change in costs (7.8%). The traditional method differs from the other formulas in that it uses both the PIOC's actual change in costs as well as the projected change in costs (6.2%). If the change in projected costs, which may not be an accurate estimate of owner's costs, is added to the "Net Revenue" and "CPI-Adjusted NOI" formulas, the resulting guidelines will likely over- or under-compensate for the change in costs.

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

Methodology

Owner Survey

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

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

The sample frame for the Owner Survey included more than 42,000 stabilized buildings registered with the New York State Division of Housing

and Community Renewal (DHCR). A random sampling scheme was used to choose 5,100 addresses from this pool for the owner mailing. The number of buildings chosen in each borough was proportional to the share of stabilized buildings in that borough. The “multiple contact” method was used for the eighth consecutive year for the Owner Survey. Three successive mailings were sent at timed intervals to the owner or managing agent of each property selected in the survey sample.

Roughly 17% of the questionnaires mailed out were returned to the RGB, similar to last year's return rate. A total of 761 returned surveys contained usable information, from which quotes of owners' annual insurance costs (660), non-union labor quotes (179) and management fees (105) were validated. The number of verified prices in 2005 and 2006 for the Owner Survey is shown in Appendix 1.

Fuel Oil Vendor Survey

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

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

Real Estate Tax Computations

The sample of buildings used to compute the 2006 tax price relative was drawn by providing a list of rent stabilized properties registered with DHCR to the Department of Finance. Finance “matched” this list against its records to provide data on assessed value, tax exemptions, and tax abatements for more than 38,000 buildings in FY 2005 and FY 2006.

The Department of Finance data was used to compute a tax bill for each stabilized building in FY

2005 and FY 2006. The change computed for the PIOC is simply the percentage increase in aggregate tax bills for these buildings from FY 2005 to FY 2006.

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 659 recorded price quotes were gathered. For a description of the items priced and the number of price quotations obtained for each item, refer to Appendix 1.

Other Items

In addition to the items previously discussed, a number of other pieces of information are needed to complete the PIOC, including labor union contract and benefit information, Social Security rates, unemployment insurance rates, Heating Degree Days, and telephone and utility rate schedules. These items are used in computing some of the labor components, changes in utility costs for electricity, gas, steam, and telephone, and the cost-weighted change in fuel prices. Finally, to measure the change in water and sewer costs for rent stabilized buildings, staff used the Water Board FY 2006 increase of 3.0%.⁸

Price Index Projections

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

Taxes were projected by using data from the Department of Finance's tentative assessment roll for FY 2007 and the amended and restated City Council tax-fixing resolution to estimate (for Class Two properties)

the change in class levy share and assessments, the tax rate and the impact of exemptions and abatements in the coming fiscal year. These estimates produce a projected tax cost for the owners of rental properties. Labor costs are projected by analyzing labor contract terms supplied by apartment workers union Local 32-BJ and a ten-year geometric average of all other Labor items.⁹ 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.¹⁰

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

Acknowledgments

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Endnotes

1. The average CPI-U for All Urban Consumers, New York-Northeastern New Jersey for the year from March 2004 to February 2005 (206.1) compared to the average for the year from March 2005 to February 2006 (214.0) rose by 3.8%. This is the latest available CPI data and is roughly analogous to the 'PIOC year', which for the majority of components compare the most recent point-to-point figures from April to April, monthly cost-weighted figures from May to April, or the two most recent fiscal year bills.
2. The May 2005 to April 2006 year was 4.9% warmer than the most recent 5-year average "normal" year, and 4.9% warmer than the year before. "Normal" weather refers to the typical number of Heating Degree Days measured at Central Park, New York City, over a given

period. A Heating Degree Day is defined as, for one day, the number of degrees that the average temperature for that day is below 65 degrees Fahrenheit. The most recent five-year average "normal" temperature refers to the total number of average annual Heating Degree Days from "PIOC" years, May 2001 to April 2006, measured in Central Park by the National Weather Service.

3. Note that the electricity items are calculated on a point-to-point basis. In this case, the electricity decrease represents a comparison of the price for electricity in April 2005 to the price in April 2006. If we were to calculate electricity on a monthly basis, with cost weights for heating use, the change for the twelve-month period from May 2005 to April 2006 would be a 19.4% increase.
4. Projected fuel prices used in the Fuel projection for 2006 were taken from "Short-Term Energy Outlook," April 2005, U.S. Energy Information Administration, Department of Energy.
5. The following assumptions were used in the computation of the commensurates: (1) the required change in landlord revenue is 67.7% of the 2006 PIOC increase of 7.8%, or 5.3%. The 67.7% figure is the most recent ratio of average operating costs to average income in stabilized buildings; (2) for the "CPI-Adjusted NOI" commensurate, the increase in revenue due to the impact of inflation on NOI is 32.3% times the latest 12-month increase in the CPI ending February 2006 (3.83%) or 1.2%; (3) these lease terms are only illustrative—other combinations of one- and two-year guidelines could produce the adjustment in revenue; (4) assumptions regarding lease renewals and turnover were derived from the 2002 Housing and Vacancy Survey; and (5) for the commensurate formulae, including a vacancy assumption, the 9.46% median increase in vacancy leases found in the rent stabilized apartments that reported a vacancy lease in the 2004 Apartment registration file from the Division of Housing and Community Renewal was used.
6. The collectability of legally authorized adjustments is assumed. Calculating the "traditional" commensurate rent adjustment requires an assumption about next year's PIOC. In this case, the 6.2% PIOC projection for 2007 is used.
7. Whether profits will actually decline depends on the level of inflation, the composition of NOI (i.e. how much is debt service and how much is profit), changes in tax law and interest rates.
8. "Public Information Regarding Water and Wastewater Rates," New York City Water Board, April 2006.
9. The contract for Local 32BJ of New York City expired on April 20, 2006. At the time of this report, a tentative contract agreement was negotiated but had yet to be voted on by the members of the union. The Labor projection includes the negotiated wage increase of 2.06%.
10. Source: "Short-Term Energy Outlook," April 2006. U.S. Energy Information Administration, Department of Energy.

1. PIOC Sample, Number of Price Quotes per Item, 2005 vs. 2006

Spec	Description	2005	2006	Spec	Description	2005	2006
211	Apartment Value	187	142	701	INSURANCE COSTS	674	660
212	Non-Union Super	112	116				
216	Non-Union Janitor/Porter	58	63	801	Light bulbs	9	8
	LABOR COSTS	357	321	802	Light Switch	7	7
301	Fuel Oil #2	28	27	803	Wet Mop	11	8
302	Fuel Oil #4	6	6	804	Floor Wax	12	11
303	Fuel Oil #6	6	6	805	Paint	16	11
	FUEL	40	39	806	Pushbroom	13	8
501	Repainting	142	119	807	Detergent	8	5
502	Plumbing, Faucet	32	32	808	Bucket	19	12
503	Plumbing, Stoppage	30	29	809	Washers	17	13
504	Elevator #1	17	15	810	Linens	10	10
505	Elevator #2	17	15	811	Pine Disinfectant	12	7
506	Elevator #3	17	14	812	Window/Glass Cleaner	11	11
507	Burner Repair	10	10	813	Switch Plate	11	9
508	Boiler Repair, Tube	10	11	814	Duplex Receptacle	12	9
509	Boiler Repair, Weld	5	7	815	Toilet Seat	21	18
510	Refrigerator Repair	9	8	816	Deck Faucet	20	13
511	Range Repair	10	10		PARTS & SUPPLIES	209	160
512	Roof Repair	22	23	901	Refrigerator #1	9	7
513	Air Conditioner Repair	9	8	902	Refrigerator #2	10	11
514	Floor Maint. #1	8	6	903	Air Conditioner #1	6	6
515	Floor Maint. #2	8	6	904	Air Conditioner #2	5	6
516	Floor Maint. #3	8	6	905	Floor Runner	9	6
518	Linen/Laundry Service	5	6	906	Dishwasher	7	7
	CONTRACTOR SERVICES	359	325	907	Range #1	9	6
601	Management Fees	103	105	908	Range #2	9	7
602	Accountant Fees	29	28	909	Carpet	11	10
603	Attorney Fees	21	21	910	Dresser	5	5
604	Newspaper Ads	18	19	911	Mattress & Box Spring	8	5
605	Agency Fees	5	3		REPLACEMENT COSTS	88	76
606	Lease Forms	10	9				
607	Bill Envelopes	11	10				
608	Ledger Paper	6	8				
	ADMINISTRATIVE COSTS	203	203		All Items	1,930	1,784

2. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Apartments, 2006

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error	Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES, FEES, & PERMITS	0.2711	1.0779	7.79%	0.0990	601	Management Fees	0.7036	1.0794	7.94%	0.9037
201	Payroll, Bronx, All	0.1128	1.0157	1.57%	0.0000	602	Accountant Fees	0.1407	1.0385	3.85%	1.0906
202	Payroll, Other, Union, Supts.	0.1123	1.0281	2.81%	0.0000	603	Attorney Fees	0.1184	1.0195	1.95%	1.5846
203	Payroll, Other, Union, Other	0.2788	1.0287	2.87%	0.0000	604	Newspaper Ads	0.0042	1.0425	4.25%	2.0014
204	Payroll, Other, Non-Union, All	0.3014	1.0309	3.09%	1.5572	605	Agency Fees	0.0057	1.0575	5.75%	5.9754
205	Social Security Insurance	0.0465	1.0276	2.76%	0.0000	606	Lease Forms	0.0098	1.0298	2.98%	3.0644
206	Unemployment Insurance	0.0081	0.9726	-2.74%	0.0000	607	Bill Envelopes	0.0093	1.0387	3.87%	2.1379
207	Private Health & Welfare	0.1401	1.0105	1.05%	0.0000	608	Ledger Paper	0.0083	1.0056	0.56%	0.5771
	LABOR COSTS	0.1436	1.0248	2.48%	0.4694		ADMINISTRATIVE COSTS	0.0749	1.0648	6.48%	0.6824
301	Fuel Oil #2	0.6085	1.1886	18.86%	0.6325	701	INSURANCE COSTS	0.0941	1.0254	2.54%	0.7146
302	Fuel Oil #4	0.1486	1.2595	25.95%	1.4847	801	Light Bulbs	0.0376	1.0375	3.75%	2.1003
303	Fuel Oil #6	0.2429	1.3064	30.64%	1.4105	802	Light Switch	0.0463	1.0276	2.76%	2.9092
	FUEL	0.1113	1.2278	22.78%	0.5605	803	Wet Mop	0.0418	1.0084	0.84%	0.6401
401	Electricity #1, 2,500 KWH	0.0103	0.9483	-5.17%	0.0000	804	Floor Wax	0.0402	1.2009	20.09%	6.2994
402	Electricity #2, 15,000 KWH	0.1353	0.9165	-8.35%	0.0000	805	Paint	0.2263	1.0472	4.72%	1.7317
403	Electricity #3, 82,000 KWH	0.0000	0.9376	-6.24%	0.0000	806	Pushbroom	0.0360	0.9953	-0.47%	0.4816
404	Gas #1, 12,000 therms	0.0054	1.0863	8.63%	0.0000	807	Detergent	0.0354	1.0901	9.01%	4.6354
405	Gas #2, 65,000 therms	0.0587	1.2155	21.55%	0.0000	808	Bucket	0.0399	1.0397	3.97%	1.7512
406	Gas #3, 214,000 therms	0.2610	1.2200	22.00%	0.0000	809	Washers	0.0953	1.0789	7.89%	4.4015
407	Steam #1, 1.2m lbs	0.0157	1.2602	26.02%	0.0000	811	Pine Disinfectant	0.0480	1.2033	20.33%	7.5763
408	Steam #2, 2.6m lbs	0.0060	1.2752	27.52%	0.0000	812	Window/Glass Cleaner	0.0537	1.0138	1.38%	1.0647
409	Telephone	0.0082	0.9983	-0.17%	0.0000	813	Switch Plate	0.0465	1.0758	7.58%	4.0252
410	Water & Sewer	0.4994	1.0300	3.00%	0.0000	814	Duplex Receptacle	0.0329	1.0569	5.69%	3.4157
	UTILITIES	0.1499	1.0794	7.94%	0.0000	815	Toilet Seat	0.0996	1.0287	2.87%	1.4247
501	Repainting	0.3881	1.0609	6.09%	1.1576	816	Deck Faucet	0.1205	1.0175	1.75%	1.0521
502	Plumbing, Faucet	0.1430	1.0218	2.18%	0.8065		PARTS AND SUPPLIES	0.0166	1.0548	5.48%	0.8187
503	Plumbing, Stoppage	0.1284	1.0413	4.13%	1.4099	901	Refrigerator #1	0.0954	1.0550	5.50%	1.3054
504	Elevator #1, 6 fl., 1 e.	0.0564	1.0587	5.87%	1.3869	902	Refrigerator #2	0.4643	1.0529	5.29%	1.4312
505	Elevator #2, 13 fl., 2 e.	0.0372	1.0471	4.71%	1.3319	903	Air Conditioner #1	0.0174	1.0204	2.04%	1.7424
506	Elevator #3, 19 fl., 3 e.	0.0210	1.0405	4.05%	0.8635	904	Air Conditioner #2	0.0216	1.0250	2.50%	1.5606
507	Burner Repair	0.0384	1.0692	6.92%	2.5610	905	Floor Runner	0.0942	1.0000	0.00%	0.0000
508	Boiler Repair, Tube	0.0527	1.0400	4.00%	2.2048	906	Dishwasher	0.0477	1.0432	4.32%	1.6881
509	Boiler Repair, Weld	0.0366	1.2901	29.01%	7.9896	907	Range #1	0.0465	1.0574	5.74%	1.9758
510	Refrigerator Repair	0.0117	1.0447	4.47%	2.1257	908	Range #2	0.2129	1.0446	4.46%	2.1953
511	Range Repair	0.0119	1.0426	4.26%	1.9944		REPLACEMENT COSTS	0.0071	1.04494	4.49%	0.8322
512	Roof Repair	0.0604	1.0705	7.05%	2.4867		ALL ITEMS	1.0000	1.07812	7.81%	0.1524
513	Air Conditioner Repair	0.0087	1.0061	0.61%	0.4486						
514	Floor Maint. #1, Studio	0.0003	1.0000	0.00%	0.0000						
515	Floor Maint. #2, 1 Br.	0.0005	1.0000	0.00%	0.0000						
516	Floor Maint. #3, 2 Br.	0.0045	1.0000	0.00%	0.0000						
	CONTRACTOR SERVICES	0.1315	1.0587	5.87%	0.6241						

3. Price Relative by Building Type, Apartments, 2006

Spec #	Item Description	Pre-1947	Post-1946	Gas Heated	Oil Heated	MASTER METERED BLDGS
101	TAXES, FEES, & PERMITS	1.0859	1.0663	1.0779	1.0779	1.0779
201-207	LABOR COSTS	1.0249	1.0246	1.0267	1.0244	1.0273
301-303	FUEL	1.2195	1.2621	1.1890	1.2292	1.1899
401-410	UTILITIES	1.0963	1.0785	1.1435	1.0140	1.0673
501-516	CONTRACTOR SERVICES	1.0586	1.0592	1.0552	1.0603	1.0542
601-608	ADMINISTRATIVE COSTS	1.0612	1.0692	1.0617	1.0652	1.0554
701	INSURANCE COSTS	1.0254	1.0254	1.0254	1.0254	1.0254
801-816	PARTS AND SUPPLIES	1.0542	1.0562	1.0537	1.0556	1.0620
904-908	REPLACEMENT COSTS	1.0456	1.0435	1.0457	1.0448	1.0375
ALL ITEMS		1.0839	1.0737	1.0783	1.0812	1.0677

4. Price Relative by Hotel Type, 2006

Spec #	Item Description	Hotel	Rooming House	SRO
101	TAXES, FEES, & PERMITS	1.0949	1.0852	1.0779
205-206, 208-216	LABOR COSTS	1.0368	1.0391	1.0337
301-303	FUEL	1.2186	1.1886	1.2664
401-407, 409-410	UTILITIES	1.0318	1.0181	1.0685
501-509, 511-516, 518	CONTRACTOR SERVICES	1.0378	1.0413	1.0603
601-608	ADMINISTRATIVE COSTS	1.0651	1.0559	1.0595
701	INSURANCE COSTS	1.0254	1.0254	1.0254
801-816	PARTS AND SUPPLIES	1.0456	1.0504	1.0483
901-904, 907-911	REPLACEMENT COSTS	1.0130	1.0220	1.0228
ALL ITEMS		1.0785	1.0715	1.0832

5. Percentage Change in Real Estate Tax Sample by Borough and Source of Change, Apartments and Hotels, 2006

	% 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	7.51%	-1.20%	0.02%	1.43%	0.09%	7.84%
Bronx	7.43%	-1.30%	0.31%	1.53%	0.09%	8.06%
Brooklyn	6.58%	-1.15%	-0.22%	1.50%	0.08%	6.79%
Queens	8.11%	-1.38%	-0.09%	1.51%	0.10%	8.25%
SI	6.64%	-0.18%	0.54%	1.48%	0.10%	8.57%
All apts	7.46%	-1.22%	0.00%	1.46%	0.09%	7.79%
HOTELS						
Hotel	11.71%	-1.39%	0.02%	-0.74%	-0.11%	9.49%
RH	7.74%	-0.76%	0.05%	1.41%	0.09%	8.52%
SRO	8.43%	-0.84%	-0.05%	0.22%	0.03%	7.79%
All hotels	9.22%	-0.98%	-0.01%	0.16%	0.00%	8.39%

Note: Totals may not add due to rounding.

6. Tax Change by Borough and Community Board, Apartments, 2006

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		13,168	7.84%	(Bronx cont.)	6	474	5.42%	(Bklyn cont.)	17	647	6.07%
	1	62	44.55%		7	925	8.61%		18	75	6.30%
	2	1,208	8.60%		8	348	6.27%	Queens		6,247	8.25%
	3	1,634	11.54%		9	297	8.78%		1	1,799	8.93%
	4	1,059	5.03%		10	189	6.41%		2	838	7.16%
	5	310	-0.29%		11	309	11.01%		3	385	12.64%
	6	918	6.78%		12	394	9.79%		4	380	9.38%
	7	2,060	8.78%	Brooklyn		12,817	6.79%		5	1,244	5.86%
	8	2,236	8.28%		1	1,534	8.22%		6	342	8.40%
	9	747	8.17%		2	670	6.54%		7	382	8.92%
	10	880	19.10%		3	879	1.11%		8	193	4.17%
	11	626	15.43%		4	1,314	5.99%		9	200	7.24%
	12	1,428	9.34%		5	381	8.49%		10	57	11.55%
Lower		8,950	7.56%		6	958	8.85%		11	115	10.91%
					7	889	6.92%		12	158	8.46%
Upper		4,231	10.08%		8	967	9.52%		13	49	8.00%
					9	561	6.01%		14	105	7.15%
Bronx		5,166	8.06%		10	800	5.70%	Staten Island		177	8.57%
	1	306	10.10%		11	730	6.89%		1	124	8.57%
	2	242	-2.96%		12	641	8.27%		2	29	8.26%
	3	295	0.74%		13	178	5.40%		3	24	8.87%
	4	721	9.21%		14	905	6.94%				
	5	666	9.31%		15	381	6.09%	Total		37,783	7.79%
					16	307	14.47%				

Note: No Community Board could be assigned to the following number of buildings for each borough: Manhattan (13), Bronx (57), Brooklyn (14), Queens (121), Staten Island (3). The number of buildings in the category "All" for each borough includes these buildings which could not be assigned a Community Board. Core and Upper Manhattan building totals are defined by block count and cannot be calculated by using Community Board numbers alone.

7. Expenditure Weights, Price Relatives, Percent Changes and Standard Errors, All Hotels, 2006

Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error	Spec #	Item Description	Expenditure Weights	Price Relative	% Change	Standard Error
101	TAXES, FEES, & PERMITS	0.2824	1.0839	8.39%	0.4048	601	Management Fees	0.6371	1.0794	7.94%	0.9037
205	Social Security Insurance	0.0542	1.0276	2.76%	0.0000	602	Accountant Fees	0.0820	1.0385	3.85%	1.0906
206	Unemployment Insurance	0.0167	0.9726	-2.74%	0.0000	603	Attorney Fees	0.1240	1.0195	1.95%	1.5846
208	Hotel Private Health/Welfare	0.0404	1.0358	3.58%	0.0000	604	Newspaper Ads	0.0984	1.0425	4.25%	2.0014
209	Hotel Union Labor	0.3115	1.0400	4.00%	0.0000	605	Agency Fees	0.0253	1.0575	5.75%	5.9754
210	SRO Union Labor	0.0121	1.0400	4.00%	0.0000	606	Lease Forms	0.0111	1.0298	2.98%	3.0644
211	Apartment Value	0.1218	1.0539	5.39%	0.7009	607	Bill Envelopes	0.0126	1.0387	3.87%	2.1379
212	Non-Union Superintendent	0.3153	1.0278	2.78%	2.0780	608	Ledger Paper	0.0095	1.0056	0.56%	0.5771
213	Non-Union Maid	0.0000	0.0000	NA	0.0000		ADMINISTRATIVE COSTS	0.0827	1.0627	6.27%	0.6646
214	Non-Union Desk Clerk	0.0000	0.0000	NA	0.0000	701	INSURANCE COSTS	0.0523	1.0254	2.54%	0.7146
215	Non-Union Maint. Worker	0.0000	0.0000	NA	0.0000	801	Light Bulbs	0.0156	1.0375	3.75%	2.1003
216	Non-Union Janitor/Porter	0.1281	1.0394	3.94%	0.7807	802	Light Switch	0.0175	1.0276	2.76%	2.9092
	LABOR COSTS	0.1668	1.0358	3.58%	0.6682	803	Wet Mop	0.0495	1.0084	0.84%	0.6401
301	Fuel Oil #2	0.7000	1.1886	18.86%	0.6325	804	Floor Wax	0.0502	1.2009	20.09%	6.2994
302	Fuel Oil #4	0.0151	1.2595	25.95%	1.4847	805	Paint	0.1246	1.0472	4.72%	1.7317
303	Fuel Oil #6	0.2849	1.3064	30.64%	1.4105	806	Pushbroom	0.0410	0.9953	-0.47%	0.4816
	FUEL	0.1242	1.2233	22.33%	0.5983	807	Detergent	0.0475	1.0901	9.01%	4.6354
401	Electricity #1, 2,500 KWH	0.0705	0.9483	-5.17%	0.0000	808	Bucket	0.0488	1.0397	3.97%	1.7512
402	Electricity #2, 15,000 KWH	0.0786	0.9165	-8.35%	0.0000	809	Washers	0.0477	1.0789	7.89%	4.4015
403	Electricity #3, 82,000 KWH	0.2492	0.9376	-6.24%	0.0000	810	Linens	0.3129	1.0212	2.12%	3.5053
404	Gas #1, 12,000 therms	0.0572	1.0863	8.63%	0.0000	811	Pine Disinfectant	0.0188	1.2033	20.33%	7.5763
405	Gas #2, 65,000 therms	0.0441	1.2155	21.55%	0.0000	812	Window/Glass Cleaner	0.0208	1.0138	1.38%	1.0647
406	Gas #3, 214,000 therms	0.2023	1.2200	22.00%	0.0000	813	Switch Plate	0.0552	1.0758	7.58%	4.0252
407	Steam #1, 1.2m lbs	0.0002	1.2602	26.02%	0.0000	814	Duplex Receptacle	0.0397	1.0569	5.69%	3.4157
409	Telephone	0.1463	0.9983	-0.17%	0.0000	815	Toilet Seat	0.0498	1.0287	2.87%	1.4247
410	Water & Sewer	0.1516	1.0300	3.00%	0.0000	816	Deck Faucet	0.0604	1.0175	1.75%	1.0521
	UTILITIES	0.1473	1.0376	3.76%	0.0000		PARTS AND SUPPLIES	0.0438	1.0469	4.69%	1.2459
501	Repainting	0.2136	1.0609	6.09%	1.1576	901	Refrigerator #1	0.0201	1.0550	5.50%	1.3054
502	Plumbing, Faucet	0.0894	1.0218	2.18%	0.8065	902	Refrigerator #2	0.0970	1.0529	5.29%	1.4312
503	Plumbing, Stoppage	0.0850	1.0413	4.13%	1.4099	903	Air Conditioner #1	0.0610	1.0204	2.04%	1.7424
504	Elevator #1, 6 fl., 1 e.	0.0381	1.0587	5.87%	1.3869	904	Air Conditioner #2	0.0717	1.0250	2.50%	1.5606
505	Elevator #2, 13 fl., 2 e.	0.0347	1.0471	4.71%	1.3319	907	Range #1	0.0086	1.0574	5.74%	1.9758
506	Elevator #3, 19 fl., 3 e.	0.0321	1.0405	4.05%	0.8635	908	Range #2	0.0404	1.0446	4.46%	2.1953
507	Burner Repair	0.0278	1.0692	6.92%	2.5610	909	Carpet	0.3409	1.0000	0.00%	0.0000
508	Boiler Repair, Tube	0.0343	1.0400	4.00%	2.2048	910	Dresser	0.1935	1.0000	0.00%	0.0000
509	Boiler Repair, Weld	0.0282	1.2901	29.01%	2.1257	911	Mattress & Box Spring	0.1668	1.0277	2.77%	2.1733
511	Range Repair	0.1383	1.0426	4.26%	1.9944		REPLACEMENT COSTS	0.0183	1.0162	1.62%	0.4282
512	Roof Repair	0.0269	1.0705	7.05%	2.4867		ALL ITEMS	1.0000	1.0753	7.53%	0.2001
513	Air Conditioner Repair	0.0445	1.0061	0.61%	0.4486						
514	Floor Maint. #1, Studio	0.0009	1.0000	0.00%	0.0000						
515	Floor Maint. #2, 1 Br.	0.0019	1.0000	0.00%	0.0000						
516	Floor Maint. #3, 2 Br.	0.0171	1.0000	0.00%	0.0000						
518	Linen/Laundry Service	0.1873	1.0000	0.00%	0.0000						
	CONTRACTOR SERVICES	0.0820	1.0432	4.32%	0.4783						

8. Expenditure Weights and Price Relatives, Lofts, 2006

Spec #	Item Description	Weights	Price Relative	Spec #	Item Description	Weights	Price Relative
1101	TAXES	0.2562	1.0779		ADMINISTRATIVE COSTS, LEGAL	0.0845	1.0195
201	Payroll, Bronx, All	0.0000	1.0157	601	Management Fees	0.8066	1.0794
202	Payroll, Other, Union, Supts	0.2725	1.0281	602	Accountant Fees	0.1489	1.0385
203	Payroll, Other, Union, Other	0.0000	1.0287	604	Newspaper Ads	0.0050	1.0425
204	Payroll, Other, Non-Union, All	0.5568	1.0309	605	Agency Fees	0.0069	1.0575
205	Social Security Insurance	0.0446	1.0276	606	Lease Forms	0.0106	1.0298
206	Unemployment Insurance	0.0087	0.9726	607	Bill Envelopes	0.0118	1.0387
207	Private Health & Welfare	0.1175	1.0105	608	Ledger Paper	0.0103	1.0056
	LABOR COSTS	0.0930	1.0186		ADMINISTRATIVE COSTS - OTHER	0.0908	1.0712
301	Fuel Oil #2	0.3357	1.1886	701	INSURANCE COSTS	0.2251	1.0254
302	Fuel Oil #4	0.5561	1.2595	801	Light Bulbs	0.0376	1.0375
303	Fuel Oil #6	0.1083	1.3064	802	Light Switch	0.0462	1.0276
	FUEL	0.0763	1.2408	803	Wet Mop	0.0418	1.0084
401	Electricity #1, 2,500 KWH	0.0113	0.9483	804	Floor Wax	0.0402	1.2009
402	Electricity #2, 15,000 KWH	0.1503	0.9165	805	Paint	0.2263	1.0472
403	Electricity #3, 82,000 KWH	0.0000	0.9376	806	Pushbroom	0.0360	0.9953
404	Gas #1, 12,000 therms	0.0059	1.0863	807	Detergent	0.0355	1.0901
405	Gas #2, 65,000 therms	0.0648	1.2155	808	Bucket	0.0399	1.0397
406	Gas #3, 214,000 therms	0.1833	1.2200	809	Washers	0.0953	1.0789
407	Steam #1, 1.2m lbs	0.0173	1.2602	811	Pine Disinfectant	0.0480	1.2033
408	Steam #2, 2.6m lbs	0.0065	1.2752	812	Window/Glass Cleaner	0.0538	1.0138
409	Telephone	0.0090	0.9983	813	Switch Plate	0.0465	1.0758
410	Water & Sewer - Frontage	0.5514	1.0300	814	Duplex Receptacle	0.0329	1.0569
	UTILITIES	0.0739	1.0645	815	Toilet Seat	0.0995	1.0287
501	Repainting	0.3880	1.0609	816	Deck Faucet	0.1206	1.0175
502	Plumbing, Faucet	0.1431	1.0218		PARTS AND SUPPLIES	0.0170	1.0548
503	Plumbing, Stoppage	0.1285	1.0413	901	Refrigerator #1	0.0954	1.0550
504	Elevator #1, 6 fl., 1 e.	0.0563	1.0587	902	Refrigerator #2	0.4643	1.0529
505	Elevator #2, 13 fl., 2 e.	0.0373	1.0471	903	Air Conditioner #1	0.0174	1.0204
506	Elevator #3, 19 fl., 3 e.	0.0210	1.0405	904	Air Conditioner #2	0.0215	1.0250
507	Burner Repair	0.0384	1.0692	905	Floor Runner	0.0942	1.0000
508	Boiler Repair, Tube	0.0527	1.0400	906	Dishwasher	0.0477	1.0432
509	Boiler Repair, Weld	0.0367	1.2901	907	Range #1	0.0464	1.0574
510	Refrigerator Repair	0.0117	1.0447	908	Range #2	0.2130	1.0446
511	Range Repair	0.0119	1.0426		REPLACEMENT COSTS	0.0136	1.0449
512	Roof Repair	0.0604	1.0705				
513	Air Conditioner Repair	0.0088	1.0061				
514	Floor Maint. #1, Studio	0.0003	1.0000				
515	Floor Maint. #2, 1 Br.	0.0005	1.0000				
516	Floor Maint. #3, 2 Br.	0.0045	1.0000				
	CONTRACTOR SERVICES	0.0697	1.0587		ALL ITEMS	1.0000	1.0643