nyrej

A look at the potential unfortunate reality that landlords of ETPA regulated apartments face

August 27, 2012 - Spotlights

On June 27, the Westchester County Rent Guidelines Board approved the 2012-2013 Rent Guideline Increases for ETPA regulated apartments. Owners and managers of ETPA properties can offer tenants a 1.25% increase for a one-year lease or a 2.25% increase for a two-year lease. The minuscule increases affect renewal leases between October 1 and Sepember 30, 2013. No additional components such as minimum increases or low rent guidelines were issued by the board.

A week earlier, I addressed the board for several minutes and explained the landlords position and outlined the facts that I have stated below which proved to the board that by law we deserved a much higher increase. I not only represented myself as an owner and property manager of ETPA regulated apartments but also as the chairman of the Apartment Owners Advisory Council of Westchester, an organization that represents approximately 300 owners of some 25,000 or so apartments regulated by ETPA. The reality is that many landlords and managers have expressed their concerns for fair increases but all points have fallen on deaf ears and the boards decision is strictly politically and emotionally-based opposed to factual as written in the law. Section 4 of the ETPA law addresses the considerations that the board must incorporate during deliberations; namely the economic conditions of the real estate industry, the present and projected operating and maintenance costs of ETPA housing and the cost of living statistics.

This year, like many years in the past, the DHCR tables reflected a need for a substantial rent guideline increase due to an increase in expenses. The three major expenses that I will like to touch on are fuel, utilities and taxes.

The tables show a 5.1% increase in the costs of utilities- electricity, water and sewer. This is an expense that we can expect a more substantial increase this year. As a matter of fact the city of Mount Vernon has already imposed a 14.9% increase in water and the city of White Plains has imposed an 8.1% increase in water as well.

The expense that stands out the most in the DHCR tables is fuel which is up 22% from last year. Although the price of fuel is volatile, the facts are that the rent increases we have received over at least a 10-year period have always lagged behind energy costs.

Real estate property taxes have also increased steadily over the past 10 years. During my presentation a graph was distributed that reflected that from 2002 to 2012, guidelines increased a cumulative 30% and 37% for a one and two-year renewal respectively. The graph also reflected that over the same 10-year period taxes for the four largest ETPA municipalities which maintain the bulk of the units increased over 100%. Taxes now make up over 17% of the total operating expenses according to the DHCR tables.

During the deliberations many arguments were discussed that were presented by both landlords and tenants. One point that was mentioned by tenants was the fact that on the DHCR tables the repairs and maintenance expense has decreased. This was the only expense that went down and shows the direct effect of the 0% increase that was passed two years ago. The expenses discussed above are controlled by the market and municipalities and only leaves maintenance as an avenue to save when the landlord has no where to turn. This is the unfortunate reality that when landlords, both small and large, can not increase their rents equal to the increase in expenses, the building is what suffers.

The fact is that we, as an industry never seem to catch up to the increases in our operating expenses with the rental increases that the board has set for us. In fact as reported in the DHCR tables, the annual cash flow for landlords has been declining over the past three years. These are real numbers from DHCR and the board refuses to do what it is required to do under law and that's to take these tables as reported and pass a fair rent increase.

The unfortunate reality is that Westchester landlords of ETPA regulated apartments face an extremely uphill battle. In a time where trying to pay bills on time and avoiding foreclosure is a priority, we face another obstacle with a lack of necessary rent guideline increases. The board that controls the stability of an industry in Westchester is heavily tenant friendly and is appointed by the Westchester County legislators who are also heavily tenant friendly and neither party makes decisions based on factual data as they have been appointed to do.

Landlords need to stick up for themselves and make their opinions and stories heard at next year's hearings in June. My company continues to fight the fight for the betterment of the industry and landlords alike.

Carmelo Milio, CPM, is the president and director of property mgmt. at Milio Realty Corp., Yonkers, N.Y.