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June 27, 2000

Ms. Anne Emerman
Associate Vice-President for Legislation
Disabled in Action of Metropolitan New York
P.O. Box 30954, Port Authority Station
New York, NY 10011-0109

Dear Ms. Emerman:

In response to your request of June 7, we have prepared the following estimate of the fiscal impact of Senate Bill 484, which would extend the Senior Citizen Rent Increase Exemption (SCRIE) to the disabled. In brief, IBO estimates that the cost to New York City in foregone property tax revenues would be approximately $2.2 million in the first full year of implementation (city fiscal year 2002), rising to $12.2 million after 5 years.

Nature of the Fiscal Impact. The SCRIE exempts eligible senior citizens from rent increases authorized by the New York City Rent Guidelines Board for rent-regulated apartments. To compensate the landlord for the lost income, the landlord receives an abatement on his or her real property taxes equal to the foregone rent. The proposed legislation would extend a similar exemption to qualified disabled households, as defined in the legislation.

Affected Housing. All housing units that are currently eligible for SCRIE, including rent-controlled and rent-stabilized units, Mitchell-Lama rental units, and Loft Board-regulated units are also eligible.

Eligible Population. Eligible persons would include anyone under the age of 62 who is certified by a physician to have a "physical or mental impairment … which substantially limits one or more of the individual's major life activities." Annual household income must be $20,000 or less. We assumed that, as with SCRIE, the city would require that a household's rent exceed one-third of total household income in order to be eligible for the benefit.

Based on an analysis of the 1996 and 1999 Housing Vacancy Surveys (HVS) and other sources, we estimate the size of the eligible population in 1999 to be approximately 20,400 households. The current participation rate in the SCRIE program is estimated to be 37 percent, which, if applied to the proposed disabled exemption, would result in approximately 7,500 participating households. Mean monthly contract rent for those persons is estimated to be $560.

Estimated Fiscal Impact. Assuming (1) that the bill would take effect for leases renewed beginning after September 30, 2001, and (2) allowable increases would average 3 percent for one-year renewals and 5 percent for two-year renewals, the fiscal impact in the first year of full implementation (city fiscal year 2002) would be $2.2 million, rising to $12.2 million by 2006.

The attached Technical Notes provide a more detailed description of the data, assumptions, and methodology used in the analysis.

As we discussed, IBO will be making this information available to the public.

Please contact us if you have any questions regarding this analysis or if we can be of assistance in any other way.

Sincerely,

Preston Niblack
Task Force Leader, Housing and Infrastructure

Fiscal Impact of S.484—Technical Notes

The Housing Vacancy Survey (HVS) consists of three parts: surveys of both occupied and vacant dwelling units, and a survey of persons in occupied units. While the the Occupied units file from the 1999 HVS has been released, at the time of this analysis the Persons file was not yet available. We therefore estimated the percentage of eligible households using the 1996 survey, and applied this estimate to the number of regulated housing units from the 1999 survey.

Assumption #1—Definition of Disabled: Because the HVS does not contain a specific flag for a person with a disability, for purposes of this analysis a disabled person is defined as a person not in the labor force (HVS-96 item no. 93) due to ill health or a physical disability (HVS-96 item no. 43). This cross-tabulation produces an estimate of 163,779 disabled heads of household out of 2.78 million citywide, or 5.89 percent of all households, and 78,026 out of 1.15 million regulated rental households—6.76 percent. (Data from the March 1999 Current Population Survey estimates that 6.8 percent of all persons of working age nationwide are not in the labor force due to a work disability.)

This definition may be overly restrictive, since some persons classified as disabled under the law might be employed at least part-time.

Assumption #2—Eligibility: Under SCRIE, the determination of eligibility is based on the age of the primary tenant on the lease. Similarly, we assumed that eligibility for the disability exemption ("DRIE") would be based on the primary tenant's disability status. We assumed that the HVS "head of household" is equivalent to "primary tenant."

Since senior households are already eligible for SCRIE, counting only non-senior disabled households yields a rate of 4.94 percent of all regulated rental households. Adjusting for slightly different estimated rates by type of regulated housing and the change in the inventory of regulated housing between 1996 and 1999, we estimated the number of non-senior disabled households to be 56,998 in 1999.

In addition, applicants would be limited to those with annual household incomes under $20,000 and whose rent was greater than one-third of annual income.

The Housing Vacancy Survey estimate of the number of non-senior disabled households in rent-regulated apartments with incomes under $20,000 was 12,169, or a rate of 21.1 percent of 1996 non-senior disabled households in regulated units. In previous analyses using the HVS, however, IBO has concluded that the HVS income data may be skewed toward the middle, underestimating the number of households lying at either extreme of the income distribution. In a recent analysis of a large sample of city income tax filings, IBO found that 39.6 percent of all filers had adjusted gross income under $20,000. An examination of the 1998 March Current Population Survey suggests that fully 69.4 percent of non-senior disabled renter households have incomes under $20,000. We assumed that 60 percent of non-senior disabled households in rent-regulated housing had incomes under $20,000, or 34,199 households.

Based on analysis of the 1996 HVS data, we estimated that 59.7 percent of these households had rents that were more than one-third of their incomes, for a final estimate of 20,417 eligible households. This represents 1.8 percent of the 1.1 million housing units covered by the proposed law.

Changing both assumptions to 70 percent would raise the estimated number of eligible households to 27,930, and the estimated cost to $3.3 million in 2002 and $18.0 million in 2006.

Assumption #3—Affected Housing: Rent-regulated non-public housing, including buildings under rent control or rent stabilization and Mitchell-Lama rental buildings, would be included. Table 1 below shows the HVS estimated numbers in each category for 1996, 1999, and IBO's projections for 2002 and 2006. The projection is based on rates of change between 1996 and 1999, and for purposes of this analysis we assume the same annualized rates of growth through 2006. Note that the number of stabilized units can increase because some rent-controlled units may convert to rent-stabilization.

Table 1—Projected Inventory of Rent-Regulated Housing Subject to Proposed Law

Regulated Category	1996 estimate	1999 estimate	2002 projected	2006 projected
Stabilized	1,014,751	1,020,588	1,026,458	1,034,353
Controlled	70,572	52,562	39,148	27,432
Mitchell-Lama Rental	69,259	67,146	65,098	62,490
Total	**1,154,582**	**1,140,296**	**1,130,704**	**1,124,276**

SOURCE: 1996 and 1999 Housing Vacancy Surveys and IBO projections.

Assumption #4—Annual Rent Increases: According to analysis of the HVS by the Rent Guidelines Board, approximately 88.4 percent of stabilized leases are renewed each year. One-third of these renew for one-year terms, and two-thirds for two years. We assume annual increases of 3 percent for one-year renewals, and 5 percent for two-year renewals.

Smaller increases (2 percent and 4 percent) would lower the estimated fiscal impact to $1.8 million in 2002, rising to $9.9 million in 2006. Larger increases (4 percent and 6 percent) would raise the estimate to $2.9 million in 2002, and $16.6 million in 2006.

Assumption # 5—Participation Rate: Because eligible households must apply, not all households are aware of and take advantage of the Senior Citizen exemption. In fiscal year 1999, 49,000 households received SCRIE exemptions. The 1999 HVS identifies 133,000 eligible households, for a participation rate of 37 percent. Note that, in their response to a request for a fiscal estimate from the Senate Finance Committee, the state's Office of Real Property Services estimates actual participation for "programs of this type" to be 35 percent. We assumed a constant 37 percent participation rate beginning in 2002.

Note, however, that participation is likely to be lower in the early years of the program, rising with time. If we assume a 20 percent participation rate in 2002, rising to 35 percent in 2006, the annual cost of the exemption would be $1.9 million in 2002, and $11.5 million in 2006.