



Instructions for 2014-15 Operation and Maintenance and Essential Services Certification

The Operation and Maintenance and Essential Services Certification (O & M) must be filed or postmarked no later than October 3, 2013 to be considered for an MBR Order effective January 1, 2014. Late Operation and Maintenance and Essential Services Certifications will be accepted until August 31, 2015.

If you own more than one building, certify by filing a separate form for each individual building. If the individual buildings are part of a multiple building complex, you may calculate the operating expenses for the entire complex and submit one master form accompanied by a complete rent schedule for each building in the complex. **Along with the master form, you must file a separate certification form for each building in the complex indicating the individual building address and referencing the master form which satisfies the certification requirement for the complex.**

I. The First Step is to determine the Total Annualized Rent for 2013 by completing the Rent Schedule as follows:

For every Rent Controlled apartment in your building, list the apartment designation, name of Rent Controlled tenant, and monthly collectible rent on January 1, 2013. The collectible rent must exclude Fuel Cost Adjustment(s) but include all other Surcharges. For apartments that are rent stabilized, vacant, or exempt from regulation (including owner- and employee-occupied apartments, apartments used for professional and commercial purposes, Co-ops/Condos occupied by owner or non-protected tenants, apartments used for not-for-profit purposes, and apartments where Sec. 11-243 or 11-244 (J-51), Section 608 and 421-A benefits have expired), enter the total monthly rent that was collectible on January 1, 2013 on line B only. Do not individually list these apartments.

Do not include income from commercial space, except from apartments that are used for professional and commercial purposes.

In the case of apartments that are owner-occupied, or employee-occupied, the rent entered should be comparable to the amounts paid for similar rent stabilized apartments in the building.

For vacant apartments that are subject to rent regulation, the rent entered should be the legal regulated rent that would otherwise be collectible.

For vacant apartments that are not subject to rent regulation, the rent entered should be the free market rent.

For vacant apartments that have been decontrolled and will become subject to rent stabilization, the rent entered should be the initial legal regulated rent that would be collectible when occupied by the first rent stabilized tenant.

For apartments where tenants hold a valid Senior Citizen Rent Increase Exemption (SCRIE) or Section 8 certificate, rents that would have been collectible without exemption should be listed, **not** the rents actually collected.

Make sure each sheet of the Rent Schedule is numbered, that the MDR (Multiple Dwelling Registration) Number is entered, and that the Total Monthly and Total Annualized Rents for all apartments listed are entered on the last sheet. The Total Annualized Rent is determined by multiplying the Total Monthly Rent by 12.

II. The Second Step is to compute the O&M Expense Allowance using Schedule A on pages 2 & 3 of the form. To complete Schedule A you must refer to your latest computed MBR Order to determine the payroll classification of your building. (See Procedure for Determining Building(s) Payroll Classification on pages 3 and 4 of these Instructions.)

If your building is "Normal Payroll" use Section (1) of Schedule A. If a Labor Cost Adjustment(s) was granted for the building, the Annual Building Wide Modification(s) for labor must be included in (I) and reflected in (J). If your building is "High Payroll" use Section (2) of Schedule A to determine your O&M Expense Allowance.

Note: The "Normal Payroll" and "High Payroll" sections of Schedule A are broken down according to Options. Option I is the primary O&M computational formula that has been used since the beginning of the MBR program. It is based on applying a standard adjustment factor for the fuel allowance component of the formula. Option II is the computational formula from the optional O&M application, introduced for the 1986-87 MBR cycle. It is based on allowing owners to use actual heating fuel price changes (between April 1979 and December 2012) and consumption to determine their O&M expense allowance.

Owners may choose between Option I and Option II in computing their 2014-15 expense allowance.

Note: Owners who choose Option II must follow the standard instructions on this sheet, and, **in addition**, read the instructions carefully and complete page 4 (Computation of Heating Fuel Price Change 4/79-12/12). Remember, this is relevant only if Option II is chosen to compute the O&M allowance.

Note: Instructions for Completing Page 4-Option II

1. Check the type(s) of heating fuel(s) purchased during the annual period claimed for your actual O&M expense period. (The annual O&M period is the same as the one cited below line 7 of Part A.)
2. Enter the total quantity(ies) of heating fuel(s) delivered during the O&M period claimed (Part A under Item 7) under the column headed "Annual Delivery".
3. Multiply the quantity(ies) of heating fuel(s) entered in the "Annual Delivery" column by the price change(s) indicated and enter the amount(s) in "Total Cost" column.
4. Add lines 1 through 11 and enter the total on line H, Option II, Page 2 (for Normal Payroll buildings) or line I, Option II, Page 3 (for High Payroll buildings).

Fill out the applicable section of Schedule A using the figures on your latest computed MBR Order for the total number of rooms and apartments and year of construction. If you are computing the O&M Expense Allowance for a **"High Payroll" building** the Total Annual Payroll shown on the latest computed MBR Order must be updated as follows before using this figure in your calculation:

If your latest computed MBR Order is for:	Then use:
2012-13	2012 Total Annual Payroll
2010-11	2010 Total Annual Payroll x 1.059
2008-09.....	2008 Total Annual Payroll x 1.133
2006-07.....	2006 Total Annual Payroll x 1.255
2004-05.....	2004 Total Annual Payroll x 1.357
2002-03.....	2002 Total Annual Payroll x 1.461
2000-01.....	2000 Total Annual Payroll x 1.558
1998-99.....	1998 Total Annual Payroll x 1.655
1996-97.....	1996 Total Annual Payroll x 1.745
1994-95.....	1994 Total Annual Payroll x 1.895
1992-93.....	1992 Total Annual Payroll x 2.105
1990-91.....	1990 Total Annual Payroll x 2.341
1988-89.....	1988 Total Annual Payroll x 2.591
1986-87.....	1986 Total Annual Payroll x 2.914
1984-85.....	1984 Total Annual Payroll x 3.408
1982-83.....	1982 Total Annual Payroll x 3.975
1980-81.....	1980 Total Annual Payroll x 4.589
1978-79.....	1978 Total Annual Payroll x 5.395
1976-77.....	1976 Total Annual Payroll x 5.976
1974-75.....	1974 Total Annual Payroll x 7.283
1972-73 (See "Special Note" at end of instructions).....	1972 Total Annual Payroll x 8.684

*Plus Annual Building-wide MBR Modification(s) for Labor, if any.

III. The Third Step in filling out the Certification Form is to complete Part A of the form by making the appropriate entries in Items (1) through (7) as described below:

- Item (1)** Enter the Total Annualized Rent from the last page of the Rent Schedule.
- Item (2)** Enter the 2012 Total Maximum Base Rent including Annual Building-wide MBR Modification(s) for Labor, if any, determined as follows:

"Total MBR" is contained on:		
If your latest computed MBR Order is for:	Then Enter	Computed Order of Eligibility (Form RO-30C-V, RO-30C-NV, or RO-30C)
2012-13	Total 2012 MBR x	Item called "Total Maximum Base Rents"
2010-11	Total 2010 MBR x 1.078	"
2008-09	Total 2008 MBR x 1.217	"
2006-07	Total 2006 MBR x 1.290	"
2004-05	Total 2004 MBR x 1.396	"
2002-03	Total 2002 MBR x 1.636	"
2000-01	Total 2000 MBR x 1.808	Landlord's Order of Eligibility (Form R0-30C)
1998-99	Total 1998 MBR x 1.885	Item called "Total Maximum Base Rents"
1996-97	Total 1996 MBR x 1.957	or
1994-95	Total 1994 MBR x 2.016	Owner's Order of Maximum Base Rent -
1992-93	Total 1992 MBR x 2.312	Item 17, "Total Maximum Base Rents - All Apartments"
1990-91	Total 1990 MBR x 2.562	Landlord's Order of Maximum Base Rent
1988-89	Total 1988 MBR x 2.767	Item called "Total Maximum Base Rents - All Apartments"
1986-87	Total 1986 MBR x 3.221	or
1984-85	Total 1984 MBR x 3.591	MBR Building Profile and Owner's Order
1982-83	Total 1982 MBR x 3.860	Item 15, "Maximum Base Rent - All Apartments"
1980-81	Total 1980 MBR x 4.285	
1978-79	Total 1978 MBR x 4.713	
1976-77	Total 1976 MBR x 5.138	
1974-75	Total 1974 MBR x 6.268	
1972-73	Total 1972 MBR x 6.801	

*Plus Annual Building-wide MBR Modification(s) for Labor, if any

Items (3) through (6) Follow instructions on form.

Item (7) Actual O&M expenses to be entered should be those incurred for any 12 consecutive months between January 1, 2012 and September 30, 2013. Indicate the period selected by entering the month and year of the first and last month of the period in spaces provided under Item (7). In order to qualify for Maximum Base Rent increases effective January 1, 2014, the period selected for presentation of your actual O&M expenses cannot extend beyond September 30, 2013. If the selected period ends later than September 30, 2013, the effective date for your order will be at least 90 days after the end of such period.

Actual Operation and Maintenance expenses may only include such items as fuel, gas and electricity for public areas, payroll (including rental value of superintendent's apartment, where applicable), management fees, repairs, insurance, annual depreciation charge for capital improvements and replacements that do not increase the assessed valuation of the building, and other expenses of operation of the building such as legal and accounting fees, fees for permits, MBR fees and charges for pest extermination. You **may not** include mortgage interest or amortization of mortgage. **Do not include real estate taxes or water and sewer charges.** Under the Maximum Base Rent System, these items are separate components of the Maximum Base Rent formula and are not included in the Operation and Maintenance Allowance.

Owners who manage their buildings by themselves, or with the help of employees, on a day-to-day basis, may include: fees and salaries actually paid to such employees, expenditures incurred specifically related to management, and an amount equal to the value of the services performed in the management of the building. In no event shall the total management expenses exceed 7 per cent of the actual annual rent roll for buildings containing 12 or fewer apartments or 5 per cent of the actual annual rent roll for buildings containing more than 12 apartments unless the actual management fee paid to a party independent of and unrelated to the owner exceeds such percentage.

If you perform all janitorial services for your own building you may include an allowance for your time spent on such work. The monthly allowance for such work is \$100.27 per apartment, per month.

Allocation of expenses incurred is required if the expense was incurred for more than one building or the owner maintained more than one building. There is no mandated procedure for the allocation of such expenses; however, the determination must be equitable, justifiable and provable.

New owners who do not have access to the expense records of the previous owner must have operated the building at least four months before computing actual expenses in order to certify. The actual expenses entered in Part A Item (7) must be annualized. For example, if the building has been operated for the minimum acceptable period of time (four months) the expenses for those four months must be multiplied by 3 to obtain the annual figure to be entered in Part A Item (7).

Item (7) is compared to Item (6) or (6A) to determine if the appropriate level of expenses has been met.

If the amount in Item (7) is equal to or greater than the amount in Item (6) or (6A), then you can make the certification required by law.

IV. The Fourth Step in filling out the Certification Form is to certify that (1) you have expended or incurred 90 per cent of the allowance for O&M expenses applicable to your building and (2) that you have and will continue to maintain essential services.

Essential services are defined as heat during the part of the year when required by law, hot water, cold water, superintendent services, maintenance of front or entrance door security (including, but not limited to, lock and buzzer), garbage collection, elevator service, gas, electricity and other utility services to both public and required private areas and such other services when failure to provide and/or maintain such would constitute a danger to the life or safety of, or would be detrimental to the health of the tenant or tenants.

The completed certifications are valid only if signed and dated in the space provided in Part B.

To expedite your MBR application it is advisable to file your Operation and Maintenance forms with the Violation Certification by June 30, 2013. However, Operation and Maintenance forms filed by October 3, 2013 will be considered timely.

The Certification Form and Rent Schedule must be filed at the **Division of Housing and Community Renewal, Office of Rent Administration, 92-31 Union Hall Street, Jamaica, New York 11433.**

Procedure for Determining Building(s) Payroll Classification

If a 2012-13 "Computed Order" titled **Landlord's Order of Eligibility** was issued, or the latest "Computed Order" was for the period 2010-2011, 2008-09, 2006-07, 2004-05, 2002-03, 2000-01, 1998-99, 1996-97, 1994-95, 1992-93, 1990-91, 1988-89, 1986-87, 1984-85, 1982-83, 1980-81, 1978-79, 1976-77 or 1974-75; look at the box captioned "**Total Annual Payroll**" on the Order:

If no dollar amount is indicated, the building is classified as having "Normal Payroll".

If a dollar amount is indicated, the building is classified as having "High Payroll".

"Computed Order" was for the period 1972-73:

If the "Computed Order" issued was one entitled **Maximum Base Rent Building Profile and Owner's Order**, look at Item 14, **"Total Annual Payroll"** on the order:

If no dollar amount is indicated **or** if the amount shown, when divided by the **"Total Number of Units"** in Item 3 on the Order, is less than \$300.00, then the building is classified as having "Normal Payroll".

If the dollar amount shown, when divided by the **"Total Number of Units"** in Item 3, is \$300.00 or greater, the building is classified as having "High Payroll".

"Computed Order" issued was one entitled **Landlord's Order of Maximum Base Rent**, look at the box captioned "Type of Payroll" on the Order:

If the word "High" does not appear, the building is classified as having "Normal Payroll".

If the word "High" appears, the building is classified as having "High Payroll".

Special Note Re: "High Payroll" 1972-73 MBR Order

The amount appearing in the box "Total Annual Payroll" was representative of the annual payroll cost for the building in January 1972. However, due to computer programming limitations, if the annual payroll cost at that time was \$100,000.00 or more, the initial digit may not have been printed. Therefore, a corrective adjustment may be required to the amount appearing in the box "Total Annual Payroll".

If the building's **current** annual payroll cost is less than \$100,000.00, no correction is required and the amount shown on the Order as "Total Annual Payroll" should be used.

However, if the building's **current** annual payroll cost is greater than \$100,000.00 and if, in your judgment, the annual payroll cost in January 1972 was also in excess of \$100,000.00, a corrective adjustment must be made where the initial digit was not printed on your Order. (Example: If the Order indicates "Total Annual Payroll" in the amount of \$47,500.00 and the building's annual payroll cost in January 1972 was \$100,000.00 greater than \$47,500.00, then the amount to be used should be \$147,500.00.)

Where the omission of the initial digit in the "Total Annual Payroll" box represented a disparity of \$200,000.00, then the amount of \$247,500.00 should be used.

Where the omission of the initial digit caused disparity of \$300,000.00 etc., corrective adjustment should be made as explained above to establish the appropriate amount to be used.

Special Notice and Instructions Regarding Alternative Standard Operating And Maintenance Expense Allowance

DHCR has amended the New York City Rent and Eviction Regulations to permit owners to use an alternative standard operating and maintenance expense allowance determined by DHCR. The amendment enables owners to use this standard allowance as an alternative to itemizing their actual operating and maintenance expenses.

Instructions For Owners Using The Alternative Procedure:

1. Check box under Part A indicating you are using the Alternative Procedure.
2. Complete the Rent Schedule by following instructions stated under Step I of this form. Enter results in Item 1, Part A of the Certification.
3. Skip lines 2 thru 6.
4. Complete Item 6A, Part A of the Certification by multiplying Item 1 by 0.4067.
5. Complete Item 7 and "Period covered by the above expenses".
6. Complete Part B - Certification.