



The Rent Regulation Act of 2019 is sure to make an impact - by Miguel Jauregui

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On June 15, 2019, the Rent Act of 2015 (an extension of the Rent Act of 2011) will expire. The expiration was not posed to be a drastic change from the current laws until the 2018 midterm elections gave way to a blue wave of newly-elected senators who strongly campaigned for new tenant-friendly legislation. To provide context, over the past 53 years, the Democratic party only held a slim majority in 2009 for one year. Furthermore, following the midterm elections, governor Cuomo, who arguably had previously supported the New York City landlords' interests, came out in support for the new senate's pro-tenant causes as well.

With over 2.2 million rental units in New York City that are currently rent regulated, the Rent Regulation Act of 2019 is sure to make an impact on the city's multifamily investment landscape. The list of bills being drafted range from restructuring the buyout process by giving the tenants more protections and keeping the Department of Housing Preservation and Development (HPD) involved in the buyout agreements, to organizing the various city departments so they can communicate efficiently when it comes to violations. For example, the proposal aims to link the HPD and the Department of Buildings (DOB) so a building with a high HPD violation count could not pull any building permits.

However, the most consequential issues that landlords are facing relate to the Rent Growth Bills being drafted. Under current laws, landlords largely aim to add value by increasing the legal rents through various measures and eventually decontrol the unit. These bills aim to limit or end those rent increase opportunities by ending vacancy decontrol, limiting or ending vacancy bonuses, making property improvements such as major capital improvements (MCI)) and individual apartment improvements (IAI) rent increases temporary or eliminating them altogether, and limiting the ability to increase preferential rents to their legal rent ceilings.

Details on the four key regulations of the Rent Growth Bills are as follows:

Vacancy Decontrol: Under current law, if the legal rent of an apartment reaches \$2,733, the unit

achieves decontrol status and becomes a fair market apartment, and is therefore not subject to any further rent regulation. The proposal under new laws would end this decontrol opportunity.

Vacancy Bonuses: The Rent Act of 2015 allows a 20% increase in rent upon the vacancy of a rent stabilized apartment. This allows a landlord to increase rents without infusing new capital into the property in order to bring the rent closer to market should there be a wide margin below those levels. The new proposed laws would significantly reduce this vacancy bonus increase or eliminate it in full.

MCI and IAI Rent Increases: Current laws allow the landlord to increase rents up to 6% through a combination of property improvements by way of MCIs or IAIs, therefore incentivizing landlords to maintain or improve their properties. The 2019 proposals would make this allowed rent increase temporary or end it for good.

Preferential Rents: One of the most contentious topics of current rent stabilization laws is the ability for a landlord to increase rents towards the legal rent level during a preferential rent tenancy. The 2019 proposed laws seek to significantly limit a landlord's ability to increase the preferential rent to be in line with the market.

Furthermore, all 54 counties of New York State do not have the opportunity to opt-in to the rent regulation laws that New York City tenants have, and various groups are pushing to expand the rent regulation laws statewide.

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