



Capital improvement rent increases

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On April 1, 1987, the requirement that owners file MCI rent increases within two years of the completion of the work or installation went into effect. Although the definition of "completion" has never been codified, owners are reminded that DHCR policy over the years has been to define "completion" as to when an MCI was physically installed and/or completed. Although physical completion can be subjective at times, governmental sign-offs and/or last payments do not define completion according to the DHCR and it may be necessary to obtain a statement from a licensed professional consultant (architect or engineer) to certify the physical completion date. In most cases, invoices or bills issued by the contractor are a good barometer of determining a physical completion date for an MCI.

Owners should take into consideration the time it takes to gather information and obtain contractor/vendor signatures when preparing MCI applications. Generally, it may take a couple of months to obtain all of the necessary information and documentation so it is best not to wait until the last minute to file an MCI. Owners are cautioned to be conservative when projecting a date to file the MCI application.

If there is a laundry facility in your building providing income, and you file an MCI, owners should make sure that the laundry room is included on the "Tenant and Room Schedule" submitted with the MCI application. For example, if an owner performs a building-wide pointing and waterproofing job or installs a boiler/burner, it is imperative that the laundry room should appear on the "Tenant and Schedule" when you submit the MCI application. In addition, you must complete "Supplement 3: MCI Cost Allocation for Commercial Tenants Benefiting from the Major Capital Improvement(s)" (DHCR Form RA-79 Supplement 3). Recently, the DHCR without notice has been penalizing owners for failure to include this information by reducing the temporary retroactive portion of the MCI increase based upon the date the information was supplied to the DHCR. If the laundry room does not benefit from the MCI, there is no offset of the MCI rent increase when granted.

It is suggested that owners add this item to the checklist of info and documentation needed to prepare and file an application for MCI rent increases.

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