



Rent regulated tenants gain a victory in the never ending battle with landlords

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June was a nerve wracking and tense month for millions of New Yorkers. Any New Yorker who lives in a rent regulated apartment had at least a few moments of anxiety when the rent laws expired on June 13. The reward that millions of rent regulated New Yorkers received from governor Andrew Cuomo, more than compensated them for the few days of uncertainty they struggled through.

Just before the midnight on June 25, the legislature passed a bill which extended the rent laws for four years, retroactive to June 15. But more than the extension providing certainty to millions of tenants for four more years, it gave rent regulated tenants a victory in their in their never ending battle with their landlords. Governor Cuomo called it an "unprecedented package" that protects tenants.

Among the gains made by tenants was the threshold for high rent deregulation was raised from \$2,500 to \$2,700. In addition, the threshold for deregulation will now be adjusted on January 1 of every year. It will increase by the one year guideline from the New York City Rent Guideline Board. The effect of this change will be to make it more difficult for a regulated apartment to be deregulated based upon the legal regulated rent. The effect of this is that it now costs \$200 more a month for an apartment to lose its regulated status.

The amortization period for major capital improvements (MCI) has been increased from seven years to eight years for buildings with 35 or fewer units and to nine years for buildings with more than 35 units. MCIs are an area where landlords would normally be able to see an immediate return on their investment, in the form of increased rent, into a building. The new rules extends the time it will take for a landlord to be reimbursed while allowing the tenant to reap the benefit of the improvements as soon as they are completed.

The statutory vacancy allowance, where a new tenant moves into a previously vacant apartment, remained the same: 18% for a one year vacancy lease and 20% for a 2 year vacancy lease. If the previous tenant paid a preferential rent, ie less than the full legal regulated rent, a vacancy allowance of between 5% and 20% is allowed to be added to the legal rent, not the preferential rent.

The new bill also increases penalties which can be imposed upon landlords for harassing tenants, up to \$11,000 per offense if the harassment is intended to obtain a vacancy.

For landlords, the message is clear - your ability to earn a decent return on your investment is a secondary consideration to the need for affordable housing. How these new laws affect new investors, who often invest money into improving a recently purchased building, but who now may not consider buying a residential building in light of these changes, is yet to be determined.

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