



REAL ESTATE
ADVISORS

2021 Proposed Rent Law Changes

Summer 2021 Update

2021 Proposed “First Rent” Law Changes

DESCRIPTION	Establish first rent post renovation
CURRENT LEGISLATION	"First Rents" eliminated. Three proposed ways to determine new rent.
PROPOSED LEGISLATION	The impact of the new legislation is that there would be no financial incentive to create new apartments from stabilized units because the rents would be the same. The legislature's goal is to ensure that stabilized units remain under market.
LIKELY IMPACT	Proposed law does not reference setting rents for former rent control apartments, which is still "first rent" subject to a Fair Market Rent Appeal;

OPTION 1	For combined units, the new legal rent cannot be more than the sum of the two units' previous rents. So for example, if Unit 1 is a rent of \$500 and unit 2 is a rent of \$1000, the combined Unit 1-2 cannot be more than \$1,500.
OPTION 2	if a unit is reduced in size, the rent is based on the percentage of the decrease in square footage to the legal rent. For example, if Unit 1 was 1000 square feet with a rent of \$1000 and is decreased to 500 square feet, the new rent will be reduced by 50%.
OPTION 3	If a unit is increased by taking the area from another unit, the legal rent cannot be increased. For example, if a Unit is 1000 square feet with a rent of \$1,500 and you increase it by 500 sq ft. the rent will remain \$1,500.

SUBSTANTIAL REHAB APPLICATIONS

CURRENT LEGISLATION	PROPOSED LEGISLATION	LIKELY IMPACT
<p>Owners are not required to seek an order from DHCR to prove a rehabilitation occurred building must be substandard or deteriorated and presumed to have met this standard if 80% vacant</p>	<p>Owners must seek an order from DHCR within one year of completing the rehabilitation or within six months after the law passed for buildings already rehabilitated</p>	<p>Increase an owner's expenses where owners previously did not have to seek affirmative relief from DHCR; create opportunities for tenants to challenge the rents building wide; subject to DHCR administrative limitations e.g., decision must be rational, harder to appeal a DHCR Order, lesser evidentiary standard</p>
<p>An owner cannot secure a vacancy by engaging in harassment or a criminal act</p>	<p>DHCR must deny applications if owner engaged in tenant harassment within the last five years</p>	<p>A stricter standard for deterioration makes it harder to prove</p> <p>Opens up DHCR to investigating tenant harassment, akin to obtaining a Certificate of No Harassment at HPD; adversarial tenants could come out of the woodwork</p>
	<p>DHCR must deny application if the owner or prior owner failure to maintain the building contributed to the building being in a seriously deteriorated condition</p>	<p>Makes it harder to deregulate buildings because any building that is "seriously deteriorated" can be due to an owner failing to maintain it</p>
<p>no time limit on completing the rehabilitation</p>	<p>the rehabilitation must not be performed in piecemeal, and must be finished in a reasonable time WHEN the building was 80% vacant</p>	<p>This means you cannot rent the units that are completed until all of the work is complete - delays return on investment; construction delays now would need to be explained.</p>
<p>not required to be 80% vacant (but practically always is)</p>	<p>Adds requirement that the building must be 80% vacant</p>	<p>Likely minimal impact</p>

CONTACT INFORMATION



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