

Rent Regulations in New York: How They'll Affect Tenants and Landlords

The changes would be sweeping, covering everything from security deposits to apartment upgrades.



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Democratic lawmakers in New York harnessed their new powers on Tuesday to broker sweeping changes to rent laws in order to protect tenants in a state with some of the country's most expensive housing markets.

The regulations that lawmakers agreed upon would stretch beyond New York City to the entire state, allowing other municipalities to enact their own rules to keep apartments affordable.

Both chambers of the State Legislature are expected to vote on the new package this week, before the current set of regulations are set to expire on Saturday.

Unlike previous regulations, which had to be renewed once they expired, the new rules would be permanent. Gov. Andrew M. Cuomo, a Democrat, has pledged to sign whatever bill lawmakers pass.

The new rules would mark a turning point for the 2.4 million people who live in nearly one million rent-regulated apartments in New York City after a steady erosion of protections and the loss of tens of thousands of regulated apartments.

"This package of legislation will reverse decades of rampant landlord abuse and enact much-needed protections for hundreds of thousands of tenants," said Adriene Holder, a lawyer at the Legal Aid Society.

But landlords warned that removing incentives for them to renovate buildings and lowering their rental income would lead to worse housing conditions for many New Yorkers.

"You will see a slow erosion in the quality of housing going out in three or four years," said Joseph Strasburg, the president of the Rent Stabilization Association, which represents 25,000 landlords.

What apartments are rent regulated?

There is a lot of jargon around rent, resulting in confusion about what the different terms mean. Broadly speaking, two types of rent-regulated units exist in New York City: rent controlled and rent stabilized. The changes will apply to both.

Rent control in the city became popular after World War II when soldiers returned home and sought apartments for their families. The demand caused rents to increase, leading to a housing shortage. At its height, more than two million rent-controlled apartments existed in the city, but only a small fraction remain: about 22,000, according to a 2017 survey.

For an apartment to be rent-controlled, a tenant or family member must have been living in the unit since at least July 1971, and the building had to have been built before 1947. Families can pass the unit to another member and preserve the rent-control status. A unit that falls out of rent control can be leased at market rate.

The second system, rent stabilization, applies generally to apartments in buildings with at least six units that were built between 1947 and 1974, buildings of that size built before 1947 where an apartment was leased after June 1971, and newer buildings that receive tax breaks for so-called affordable housing.

Rent increases at stabilized units are determined by the city's Rent Guidelines Board. This year the board allowed for 1.5 percent increases for one-year leases and 2.5 percent for two-year leases.

What do the new changes mean for tenants?

Tenants in rent-regulated apartments would largely see an end to big rent increases under the new legislation. The Rent Guidelines Board will continue to determine yearly increases on rent-stabilized units, but the following rules that benefited landlords would be changed or abolished:

- **Vacancy decontrol:** When the legal rent for a rent-stabilized apartment reached a certain rate, currently \$2,774 per month, it could revert to market-rate if there is a vacancy. The rule has led to the deregulation of more than 155,000 units since it was enacted in the 1990s. This practice would be ended.

- The vacancy bonus: Landlords for rent-stabilized apartments have been able to hike rents by as much as 20 percent after tenants moved out. The new rules would prevent that.
- Rent hikes based on building improvements: Landlords have been able to increase rents in regulated apartments by up to 6 percent per year if they made improvements that “directly or indirectly” benefited all tenants, such as a new boiler. That increase would now be capped at 2 percent per year. Rent hikes that were permitted if landlords renovated or improved individual apartments would also now be limited.
- Misuse of “preferential” rents: Landlords of rent-stabilized apartments can offer units to tenants for a price lower than the legal regulated rent. But they can no longer raise the rent to the legally mandated limit when a lease is renewed, a practice that was pushing tenants out.
- High-income deregulation: If a tenant in a rent-stabilized unit earned over \$200,000 a year in two consecutive years, the landlord could deregulate the unit. That will no longer be allowed.
- The “owner-use” loophole: Landlords and their family members have been able to remove rent-stabilized tenants from multiple units to use them as residences, a rule sometimes abused by landlords as a way to ultimately raise rents. Now, landlords will only be able to claim “owner use” for one apartment for use as their primary residence.

What do the changes mean for landlords?

Trade groups and real estate lobbyists warned of dire consequences as a result of the new regulations. They said smaller landlords could be run out of business because of new limits on rent increases and restrictions on raising rent after improvements. Ultimately, they said, units and buildings could fall into disrepair.

Some analysts predicted that the New York housing market overall could be depressed because the resale market for rent-regulated apartments would lose value as a result of the changes.

The Real Estate Board of New York, an influential trade group that primarily represents larger developers, predicted that building owners would no longer have an incentive to invest in their rent-regulated units.

“This legislation fails to address the city’s housing crisis, and will lead to disinvestment in the city’s private sector rental stock, consigning hundreds of thousands of rent-regulated tenants to living in buildings that are likely to fall into disrepair,” said the Taxpayers for an Affordable New York, a coalition of four real estate groups.

Are the rules just for regulated apartments?

The package of protections extends well beyond those living in rent-regulated apartments to all New Yorkers renting apartments:

- Security deposits will be limited to one month’s rent and procedures will be improved to make it easier for renters to get their security deposits back.
- Tenants who were seen as troublemakers by landlords — perhaps for standing up for their rights — would sometimes end up on blacklists that would be shared among rental agencies. That practice would be banned.
- Tenants would be better protected during the eviction process, particularly against retaliatory evictions.
- Unlawful evictions, such as when a landlord illegally locks out or uses force to evict a tenant, would become a crime, a misdemeanor punishable by a civil penalty of between \$1,000 and \$10,000 per violation.
- Landlords would be required to provide at least 30 days notice to tenants if they intend to increase the rent by more than 5 percent or are not going to renew the lease.