

8340--A

2015-2016 Regular Sessions

I N   A S S E M B L Y

August 5, 2015

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Introduced by M. of A. O'DONNELL -- read once and referred to the Committee on Small Business -- recommitted to the Committee on Small Business in accordance with Assembly Rule 3, sec. 2 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the administrative code of the city of New York, in relation to enacting the "small business survival act"

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1     Section 1. Short title. This act shall be known and may be cited as  
2     the "small business survival act".  
3     S 2. Legislative intent. The legislature finds that the small business  
4     sector of the city of New York remains vulnerable at a time when New  
5     York city is more dependent than ever on small business for job growth  
6     and revenues. The New York city commercial rental market has been nega-  
7     tively influenced by speculators for such an extended period of time  
8     that the interest of small businesses and job creation, and the broader  
9     general economic interest of the city, are being harmed. An unacceptable  
10    number of established small businesses are being forced out of business  
11    solely as a result of the commercial lease renewal process. Whereby a  
12    breakdown has taken place in normal processes of bargaining and freedom  
13    of contract has become an illusory concept during the commercial lease  
14    renewal process. The current commercial rental market results in  
15    unjust, unreasonable, and oppressive leases for the payment of rent for  
16    commercial space in New York city. Landlords continue to exact such  
17    agreements from tenants under stress of prevailing market conditions and  
18    unequal bargaining power, without any tenants' rights to allow for  
19    bargaining in good faith to arrive at fair and reasonable lease terms.  
20    The absence of legal protection for the interests of commercial tenants  
21    in the lease renewal process has unnecessarily accelerated the closing  
22    of small businesses and resulted in lost jobs, lost tax revenues caused

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets  
[ ] is old law to be omitted.

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higher inflation and cost of living rates, decreased job growth opportunities for New Yorkers and community instability. It is the intent of the legislature, through this legislation, to give small businesses some rights in the commercial lease renewal process, and therefore, a measure of predictability of future costs through a two-step procedure of mediation and, if necessary, arbitration for negotiating commercial lease renewals. This process would create a fair negotiating environment, which would result in more reasonable and fair lease terms to help small businesses survive and encourage job retention and growth in the city of New York.

S 3. Title 22 of the administrative code of the city of New York is amended by adding a new chapter 9 to read as follows:

#### CHAPTER 9

#### COMMERCIAL LEASE ARBITRATION AND MEDIATION

SECTION 22-901 SCOPE.

22-902 DEFINITIONS.

22-903 MANNER OF SERVICE.

22-904 RENTAL GUIDELINES.

22-905 SECURITY DEPOSITS.

22-906 RETALIATION.

22-907 WAIVER.

22-908 EVALUATION.

22-909 PENALTIES.

22-910 INCONSISTENCY WITH OTHER LAWS.

S 22-901 SCOPE. THIS CHAPTER SHALL APPLY ONLY TO ALL COMMERCIAL LEASE RENEWALS FOR COMMERCIAL PREMISES. ON ANY OCCASION WHEREIN A LANDLORD AND TENANT ARE REQUIRED TO NEGOTIATE THE TERMS OF A LEASE RENEWAL FOR COMMERCIAL USES THE PROVISIONS OF THIS CHAPTER SHALL APPLY. THE PROVISIONS OF THIS CHAPTER SHALL APPLY TO ANY LANDLORD AND CURRENT TENANT WHOSE LEASE EXPIRED ON OR AFTER JULY FIRST, TWO THOUSAND SEVENTEEN.

S 22-902 DEFINITIONS. A. "ADMINISTERING AGENCY" SHALL MEAN ANY CITY AGENCY, OFFICE, DEPARTMENT, DIVISION, BUREAU OR INSTITUTION OF GOVERNMENT, THE EXPENSES OF WHICH ARE PAID IN WHOLE OR IN PART FROM THE CITY TREASURY, AS THE MAYOR SHALL DESIGNATE.

B. "ARBITRATOR" SHALL MEAN THE PERSON CHOSEN BY THE PARTIES OR BY THE AMERICAN ARBITRATION ASSOCIATION, OR ANY OTHER RECOGNIZED ARBITRATION ORGANIZATION, TO RESOLVE A DISPUTE BETWEEN A LANDLORD AND A TENANT CONCERNING A COMMERCIAL LEASE RENEWAL OR THE RENT TO BE CHARGED FOR THE COMMERCIAL PREMISES.

C. "COMMERCIAL PREMISES" SHALL MEAN A BUILDING OR SPACE OCCUPIED FOR NON-RESIDENTIAL PURPOSES INCLUDING, BUT NOT LIMITED TO, MANUFACTURING, RETAIL, PROFESSIONAL SERVICES, OFFICES, ASSEMBLING, PROCESSING, CULTURAL AND NOT-FOR-PROFIT ENTITIES THAT ARE PRESENT IN THE CITY OF NEW YORK, WHO HAVE A VALID COMMERCIAL LEASE.

D. "LANDLORD" SHALL MEAN ANY OWNER, LESSOR, SUBLESSOR OR OTHER PERSON ENTITLED TO RECEIVE RENT FOR THE USE OR OCCUPANCY OF ANY COMMERCIAL PREMISES, OR AN AGENT THEREOF.

E. "MEDIATOR" SHALL MEAN ANY PERSON, AGREED UPON BY THE PARTIES TO THE DISPUTE OR CHOSEN BY THE AMERICAN ARBITRATION ASSOCIATION OR ANY OTHER RECOGNIZED MEDIATION OR ARBITRATION ASSOCIATION, TO ACT AS AN INTERMEDIARY BETWEEN THE PARTIES. THE MEDIATOR SHALL NOT OFFER A BINDING DECISION CONCERNING THE MATTER IN DISPUTE.

F. "NEGOTIATION" SHALL MEAN THE PROCESS OF CONFERRING WITH ONE ANOTHER THROUGH CONFERENCES, DISCUSSIONS AND COMPROMISE, TO ARRIVE AT A MUTUALLY AGREEABLE SETTLEMENT.

1 G. "RENT" SHALL MEAN ANY AND ALL CONSIDERATION, INCLUDING BUT NOT  
2 LIMITED TO PASS-ALONGS, RECEIVED BY THE LANDLORD IN CONNECTION WITH THE  
3 USE OR OCCUPANCY OF ANY COMMERCIAL PREMISES.

4 H. "SERVICES" SHALL MEAN THOSE FACILITIES WHICH ENHANCE THE USE OF THE  
5 COMMERCIAL PREMISES, INCLUDING, BUT NOT LIMITED TO, REPAIRS, MAINTENANCE,  
6 PAINTING, HEAT, HOT AND COLD WATER, UTILITIES, ELEVATOR SERVICE,  
7 SECURITY DEVICES AND PATROLS, FURNISHINGS, STORAGE, JANITORIAL AND LAND-  
8 SCAPING SERVICES, REFUSE REMOVAL, INSURANCE PROTECTION, PARKING SPACES  
9 AND FACILITIES IN COMMON AREAS OF THE BUILDING OR PARCEL IN WHICH THE  
10 RENTAL UNIT IS LOCATED.

11 I. "TENANT" SHALL MEAN TENANT, SUBTENANT, LESSEE, SUBLESSEE, OR ANY  
12 OTHER PERSONS LAWFULLY ENTITLED TO USE OR OCCUPANCY OF ANY COMMERCIAL  
13 PREMISES.

14 S 22-903 MANNER OF SERVICE. ALL PAPERS AND NOTICES WHICH, BY THE TERMS  
15 OF THIS CHAPTER ARE REQUIRED TO BE SERVED, SHALL BE SERVED BY A PROCESS  
16 SERVER, OR SHALL BE SENT BY FIRST CLASS MAIL AND CERTIFIED MAIL, RETURN  
17 RECEIPT REQUESTED OR BY ANY EXPRESS MAIL SERVICE.

18 S 22-904 RENTAL GUIDELINES. A. ALL LEASES OF A COMMERCIAL PREMISES MAY  
19 BE RENEWED AT THE OPTION OF A TENANT WHO DID NOT LOSE THE RIGHT TO RENEW  
20 A LEASE UNDER THE GROUNDS DESCRIBED IN SUBDIVISION D OF THIS SECTION.  
21 SUCH LEASE RENEWALS SHALL BE FOR A MINIMUM TERM OF TEN YEARS, PROVIDED  
22 HOWEVER, THAT AT THE TENANT'S OPTION, AND WITH THE WRITTEN APPROVAL OF  
23 THE LANDLORD, A LEASE OF SHORTER OR LONGER DURATION MAY BE SELECTED.

24 B. NO PERIOD OF LEASE EXTENSION REQUIRED BY THIS CHAPTER SHALL EXTEND  
25 BEYOND THE LANDLORD'S LAWFUL ABILITY TO RENT THE PREMISES TO THE TENANT,  
26 WHERE SUCH ABILITY IS LIMITED BY:

27 (1) THE OBLIGATION TO RENT THE PREMISES TO A THIRD PARTY PURSUANT TO A  
28 BONA FIDE LEASE ENTERED INTO PRIOR TO THE EFFECTIVE DATE OF THIS CHAPTER;  
29

30 (2) THE EXERCISE BY A THIRD PARTY OF A BONA FIDE OPTION TO RENT THE  
31 PREMISES PROVIDED THAT SUCH OPTION WAS GIVEN PRIOR TO THE EFFECTIVE DATE  
32 OF THIS CHAPTER; OR

33 (3) ANY OTHER LAWFUL REASON ARISING PRIOR TO SUCH EFFECTIVE DATE.

34 C. ANY LANDLORD WHOSE OBLIGATIONS UNDER THIS CHAPTER ARE LIMITED BY  
35 THE PROVISIONS OF THIS SECTION SHALL NOT BE REQUIRED TO NEGOTIATE OR TO  
36 ARBITRATE AS OTHERWISE PROVIDED FOR IN THIS CHAPTER BUT SHALL REMAIN  
37 OBLIGATED TO NEGOTIATE AND TO ARBITRATE A RENEWAL LEASE FOR SUCH PERIOD  
38 OF TIME FOR WHICH THE LANDLORD HAS A LAWFUL ABILITY TO RENT THE COMMERCIAL  
39 PREMISES TO THE TENANT. THE LANDLORD SHALL PROVIDE NOTICE TO THE  
40 TENANT ONE HUNDRED EIGHTY DAYS BEFORE THE TERMINATION OF THE LEASE OF  
41 THE BASIS ON WHICH THE LEASE CANNOT BE EXTENDED FOR A FULL TEN-YEAR  
42 TERM.

43 D. A TENANT SHALL LOSE THE RIGHT OF RENEWAL AND A LANDLORD MAY REFUSE  
44 TO RENEW A LEASE ONLY ON THE FOLLOWING GROUNDS:

45 (1) THE TENANT HAS PERSISTENTLY DELAYED RENT PAYMENTS WITHOUT CAUSE.  
46 FOR THE PURPOSE OF THIS SUBDIVISION, "CAUSE" IS DEFINED AS THE WITHHOLDING  
47 OF RENTAL PAYMENTS BY THE TENANT DUE TO THE ALLEGED VIOLATIONS OF  
48 THE RENTAL AGREEMENT BY THE LANDLORD. IN ORDER FOR THE LANDLORD TO BE  
49 EXCUSED FROM RENEWAL ON THIS GROUND, THE LANDLORD MUST HAVE SERVED THE  
50 TENANT AT LEAST THREE PRIOR NOTICES DURING THE TERM OF THE LEASE TO THE  
51 TENANT FOR DEMAND OF PAYMENT WITHIN THIRTY DAYS, AND THEN SHOW THAT THE  
52 LESSEE HAS NOT PAID WITHIN SUCH THIRTY DAY PERIOD. THE LANDLORD SHALL  
53 NOT SERVE SUCH NOTICE UNLESS THE RENT PAYMENT WAS IN ARREARS FOR A MINIMUM  
54 OF FIFTEEN DAYS;

55 (2) THE TENANT USES THE COMMERCIAL PREMISES IN A MANNER SUBSTANTIALLY  
56 DIFFERENT FROM THAT DESCRIBED IN THE LEASE;

1 (3) THE TENANT CONDUCTS OR PERMITS ANY FORM OF ILLEGAL ACTIVITY ON THE  
2 PREMISES;

3 (4) THE TENANT HAS SUBSTANTIALLY BREACHED ANY SUBSTANTIVE OBLIGATION  
4 UNDER THE CURRENT LEASE AND HAS FAILED TO CURE SUCH BREACH WITHIN THIRTY  
5 DAYS FOLLOWING WRITTEN NOTICE TO CURE BY THE LANDLORD;

6 (5) UPON THE TERMINATION OF THE CURRENT TENANCY, THE LANDLORD INTENDS,  
7 IN GOOD FAITH, TO DEMOLISH OR SUBSTANTIALLY RECONSTRUCT THE PREMISES OR  
8 A SUBSTANTIAL PART THEREOF, OR TO CARRY OUT SUBSTANTIAL WORK OR  
9 CONSTRUCTION ON THE COMMERCIAL PREMISES OR SUBSTANTIAL PART THEREOF  
10 WHICH HE OR SHE COULD NOT REASONABLY DO WITHOUT OBTAINING POSSESSION OF  
11 THE COMMERCIAL PREMISES. THE LANDLORD SHALL NOTIFY THE TENANT OF HIS OR  
12 HER DECISION TO REOCCUPY THE COMMERCIAL PREMISES AT LEAST ONE YEAR PRIOR  
13 TO THE TERMINATION OF THE LEASE. IN THE EVENT THAT THE LESSOR FRAUDU-  
14 LENTLY INVOKES THIS JUSTIFICATION FOR A REFUSAL TO RENEW A COMMERCIAL  
15 LEASE, THE DEFRAUDED TENANT MAY COLLECT TREBLE DAMAGES FOR ANY LOSS  
16 SUFFERED AS A RESULT OF SUCH ACTION;

17 (6) THE CURRENT TENANCY WAS CREATED BY THE SUBLETTING OF THE PROPERTY,  
18 WHEREBY THE PRIME TENANT DID NOT NOTIFY THE LANDLORD BY CERTIFIED MAIL  
19 OF THE SUBTENANT'S EXISTENCE AND DID NOT OBTAIN THE WRITTEN CONSENT OF  
20 THE LANDLORD. THIS GROUND IS VOID IF THE LANDLORD AND TENANT HAD AGREED  
21 IN THE LEASE TO ALLOW SUBLEASING RIGHTS WITHOUT THE CONSENT OF THE LAND-  
22 LORD AND ALL OBLIGATIONS OF THE PRIME TENANT ON THE ISSUE, WERE IN  
23 COMPLIANCE;

24 (7) IT HAS BEEN DETERMINED BY THE ADMINISTERING AGENCY OR BY A CIVIL  
25 COURT OF COMPETENT JURISDICTION THAT THE TENANT IS A GROSS AND PERSIST-  
26 ENT VIOLATOR OF NEW YORK CITY TAX LAWS, OF ANY LICENSE OBLIGATIONS  
27 RELATED TO THE USE OF THE PREMISES OR OF ANY LAWS OF THE CITY OF NEW  
28 YORK;

29 (8) UPON THE TERMINATION OF THE CURRENT TENANCY, THE LANDLORD INTENDS  
30 TO OCCUPY THE RETAIL PREMISES IN ORDER TO CARRY OUT ITS OWN BUSINESS,  
31 WHICH CANNOT BE THE SAME TYPE OF BUSINESS THAT THE CURRENT TENANT IS  
32 OPERATING, UNLESS THE LANDLORD COMPENSATES THE TENANT AT FAIR MARKET  
33 VALUE AS DETERMINED BY AN ARBITRATOR AS RESTITUTION FOR THE LOSS OF SUCH  
34 TENANT'S BUSINESS. THE LANDLORD SHALL NOTIFY THE TENANT OF HIS OR HER  
35 DECISION TO REOCCUPY THE PREMISES AT LEAST ONE HUNDRED EIGHTY DAYS PRIOR  
36 TO THE TERMINATION OF THE LEASE. IN THE EVENT THAT THE LANDLORD FRAUDU-  
37 LENTLY INVOKES THIS JUSTIFICATION FOR A REFUSAL TO RENEW A COMMERCIAL  
38 LEASE, THE DEFRAUDED TENANT MAY COLLECT TREBLE DAMAGES FOR ANY LOSS  
39 SUFFERED AS A RESULT OF SUCH ACTION.

40 E. PROCEDURE FOR LEASE RENEWALS. (1) WHERE THE LANDLORD AGREES TO  
41 RENEW THE LEASE OF THE CURRENT TENANT, SUCH LANDLORD SHALL NOTIFY THE  
42 TENANT AT LEAST ONE HUNDRED EIGHTY DAYS PRIOR TO THE EXPIRATION OF THE  
43 LEASE OF HIS OR HER WILLINGNESS TO NEGOTIATE THE RENEWAL OF THE COMMER-  
44 CIAL LEASE AGREEMENT. IF THE LANDLORD AND TENANT AGREE, THEY MAY AT ANY  
45 TIME RENEGOTIATE A NEW LEASE, WITH ANY AGREED TO TERMS AND CONDITIONS,  
46 NOT INCONSISTENT WITH THE PROVISIONS OF THIS CHAPTER. THE TENANT IS TO  
47 CONTINUE RENT PAYMENTS AS SET FORTH IN THE LEASE UNTIL THE PARTIES REACH  
48 AN AGREEMENT ON A LEASE RENEWAL OR UNTIL A DECISION IS OTHERWISE  
49 RENDERED THROUGH THE ARBITRATION OR MEDIATION PROCESSES DESCRIBED IN THE  
50 PROVISIONS OF THIS SUBDIVISION. THE FIRST NINETY DAYS OF THE ONE  
51 HUNDRED EIGHTY-DAY NOTICE PERIOD IS FOR THE PURPOSE OF NEGOTIATIONS.  
52 ALTERNATIVELY, EITHER PARTY MAY COMPEL THE OTHER PARTY TO THE DISPUTE TO  
53 USE THAT NINETY-DAY PERIOD, OR ANY PART THEREOF, FOR THE PURPOSES OF  
54 MEDIATION. IF EITHER THE LANDLORD OR TENANT CHOOSES MEDIATION, HE OR SHE  
55 SHALL NOTIFY THE OTHER PARTY THAT A MEDIATION SESSION IS REQUESTED. THE  
56 PARTIES SHALL CHOOSE A MEDIATOR WHO IS AGREEABLE TO BOTH THE LANDLORD

1 AND TENANT, OR IF NO SUCH PERSON IS AGREEABLE, THEN THE AMERICAN ARBI-  
2 TRATION ASSOCIATION SHALL APPOINT A MEDIATOR OR ANY OTHER RECOGNIZED  
3 MEDIATION OR ARBITRATION ASSOCIATION. THE FULL COSTS OF MEDIATION SHALL  
4 BE EQUALLY SHARED BY BOTH PARTIES. THE MEDIATOR SHALL NOTIFY THE LAND-  
5 LORD AND TENANT, NO MORE THAN TEN DAYS AFTER HIS OR HER APPOINTMENT, OF  
6 THE DATE, TIME, PLACE AND RULES OF THE HEARING. THE MEDIATOR SHALL  
7 FOLLOW HIS OR HER CUSTOMARY RULES AND MAY RENDER AN OPINION CONCERNING  
8 THE DISPUTE, WHICH SHALL NOT BE BINDING ON THE PARTIES. IF AFTER NINETY  
9 DAYS OF NEGOTIATION AND ANY MEDIATION SESSIONS, THE LANDLORD AND TENANT  
10 DO NOT REACH AN AGREEMENT ON A NEW LEASE, THEN THE TENANT IS TO NOTIFY  
11 THE AMERICAN ARBITRATION ASSOCIATION OR ANY OTHER RECOGNIZED MEDIATION  
12 OR ARBITRATION ASSOCIATION, WITHIN FOURTEEN DAYS OF THE EXPIRATION OF  
13 THE FIRST NINETY DAY PERIOD, THAT AN ARBITRATION HEARING IS REQUESTED.  
14 FAILURE BY THE TENANT TO NOTIFY THE AMERICAN ARBITRATION ASSOCIATION OR  
15 ANY OTHER RECOGNIZED MEDIATION OR ARBITRATION ASSOCIATION WITHIN FOUR-  
16 TEEN DAYS OF THE EXPIRATION OF THE FIRST NINETY DAY PERIOD SHALL RESULT  
17 IN THE FORFEITURE OF THE TENANT'S RIGHT OF RENEWAL.

18 (2) WHERE THE LANDLORD REFUSES TO RENEW A LEASE WITH THE CURRENT  
19 TENANT, SUCH LANDLORD IS TO NOTIFY THE TENANT A MINIMUM OF ONE HUNDRED  
20 EIGHTY DAYS BEFORE THE EXPIRATION OF THE LEASE THAT SUCH LANDLORD IS NOT  
21 GOING TO RENEW THE TENANT'S LEASE AND STATE THE REASON OR REASONS FOR  
22 SUCH DENIAL IN DETAIL. FAILURE OF THE LANDLORD TO GIVE SUCH NOTICE SHALL  
23 SUBJECT THE PARTIES TO THE PROVISIONS OF PARAGRAPH THREE OF THIS SUBDI-  
24 VISION. THE LANDLORD IS TO FURNISH THE TENANT WITH ALL PERTINENT DATA  
25 SUPPORTING SUCH REASON OR REASONS. IF THE TENANT STILL WISHES TO CHAL-  
26 LENGE THE REFUSAL TO RENEW THE LEASE AND APPLY FOR A RENEWAL OF THE  
27 LEASE, THEN THE TENANT MUST NOTIFY THE LANDLORD WITHIN THIRTY DAYS AFTER  
28 THE RECEIPT OF THE LANDLORD'S NOTICE OF HIS OR HER INTENT TO CHALLENGE  
29 THE REFUSAL AND SEEK ARBITRATION SOLELY ON THE VALIDITY OF THE LAND-  
30 LORD'S GROUNDS FOR DENIAL OF TENANTS' RIGHT TO RENEWAL ON THE ISSUE OF  
31 RENEWAL. THE TENANT SHALL THEN NOTIFY THE AMERICAN ARBITRATION ASSOCI-  
32 ATION OR ANY OTHER RECOGNIZED MEDIATION OR ARBITRATION ORGANIZATION  
33 WITHIN FOURTEEN DAYS AFTER NOTIFICATION BY THE TENANT TO THE LANDLORD  
34 THAT A HEARING IS REQUESTED TO DETERMINE WHETHER THE LANDLORD'S GROUNDS  
35 FOR REFUSAL ARE VALID.

36 (3) IF AN ARBITRATION HEARING IS REQUESTED PURSUANT TO EITHER PARA-  
37 GRAPHS ONE OR TWO OF THIS SUBDIVISION:

38 (A) THE LANDLORD AND TENANT SHALL CHOOSE THE ARBITRATOR FROM A LIST OF  
39 ARBITRATORS PROVIDED BY THE AMERICAN ARBITRATION ASSOCIATION OR ANY  
40 OTHER RECOGNIZED MEDIATION OR ARBITRATION ASSOCIATION. IF THEY CANNOT  
41 AGREE ON THE SELECTION OF THE ARBITRATOR WITHIN THIRTY DAYS OF THE  
42 TENANT'S NOTICE TO SUCH ASSOCIATION THAT A HEARING IS REQUESTED, THE  
43 TENANT SHALL NOTIFY WITHIN FOURTEEN DAYS SUCH ORGANIZATION OF THE  
44 PARTIES' FAILURE TO MAKE A SELECTION AND SUCH ARBITRATION ORGANIZATION  
45 SHALL DETERMINE THE ARBITRATOR WITHIN FIVE DAYS OF RECEIPT OF SUCH  
46 NOTICE FROM THE TENANT. BOTH PARTIES SHALL FOLLOW THE RULES ESTABLISHED  
47 BY THE ARBITRATION ASSOCIATION IN PREPARING FOR AND HOLDING AN ARBI-  
48 TRATION HEARING.

49 (B) THE ARBITRATOR SHALL NOTIFY BOTH PARTIES OF THE DATE, PLACE, TIME  
50 AND RULES OF THE HEARING WITHIN FOURTEEN DAYS OF RECEIPT BY THE ARBI-  
51 TRATION ASSOCIATION OF THE REQUEST FOR A HEARING. THE HEARING SHALL TAKE  
52 PLACE IN THE BOROUGH WHERE THE COMMERCIAL PREMISES ARE LOCATED UNLESS  
53 OTHERWISE AGREED TO BY THE LANDLORD AND TENANT. THE LANDLORD AND TENANT  
54 SHALL FURNISH THE ARBITRATOR WITH ALL RELEVANT DOCUMENTATION, AND THE  
55 ARBITRATOR SHALL CONDUCT A PRELIMINARY MEETING OR CONFERENCE TELEPHONE  
56 CALL PRIOR TO THE HEARING TO REVIEW THE DATA AND FAMILIARIZE HIMSELF OR

1 HERSELF WITH THE CASE. THE MATTERS THE ARBITRATOR SHALL DETERMINE DURING  
2 THE PRELIMINARY MEETING SHALL INCLUDE, BUT NOT BE LIMITED TO, THE NEED  
3 TO INSPECT THE PROPERTY REQUESTING ADDITIONAL DATA FROM EITHER PARTY AND  
4 ANY FACTS DEEMED RELEVANT TO THE ARBITRATOR, LIST OF POTENTIAL WITNESSES  
5 WITH BACKGROUNDS OF EACH, AND THE NEED TO HIRE EXPERT CONSULTANTS TO  
6 CERTIFY THE ACCURACY OF DATA. THE ARBITRATOR MAY SEEK TO CONDUCT AN  
7 INSPECTION OF THE PROPERTY AFTER NOTIFYING BOTH PARTIES AT LEAST THREE  
8 DAYS IN ADVANCE OF THE INSPECTION AND INFORMING THEM OF THEIR RIGHT TO  
9 BE PRESENT DURING THE INSPECTION.

10 (C) THE HEARING BEFORE THE ARBITRATOR MAY BE RECORDED BY DIGITAL, TAPE  
11 OR VIDEO DEVICE, AT THE REQUEST OF EITHER PARTY AND AGREED TO BY THE  
12 ARBITRATOR AND WHOSE COSTS WILL BE BORNE BY THE PARTY WHO DECIDED ON  
13 THIS METHOD TO CREATE A RECORD OF THE HEARING. IF BOTH PARTIES ARE IN  
14 AGREEMENT, THE COSTS FOR RECORDING THE HEARING WILL BE SHARED EQUALLY.  
15 SUCH RECORDING MAY BE TRANSCRIBED UPON THE REQUEST OF ANY PARTY WHO  
16 POSTS IN ADVANCE THE ESTIMATED COST OF THE TRANSCRIPTION. EITHER PARTY  
17 MAY PROVIDE, AT THEIR EXPENSE, A REPORTER TO TRANSCRIBE THE HEARING. THE  
18 OFFICIAL RECORD OF THE HEARING SHALL INCLUDE ALL DOCUMENTS AND OFFERS OF  
19 PROOF PRESENTED TO THE ARBITRATOR, THE WRITTEN DECISION OF THE ARBITRA-  
20 TOR AND ANY TRANSCRIPT OF THE HEARING. THE LANDLORD AND TENANT WILL EACH  
21 BE GIVEN ADEQUATE TIME TO PRESENT THEIR CASES, AS DETERMINED BY THE  
22 ARBITRATOR TO PRESENT TESTIMONY, WITNESSES, PICTURES, VIDEOS, DOCUMENTS,  
23 INCLUDING CHARTS, COMPARABLE RENT DATA AND ANY OTHER RELEVANT DATA. EACH  
24 PARTY SHALL BE ALLOWED TO CONFRONT AND CROSS-EXAMINE ADVERSE WITNESSES.  
25 THE ARBITRATOR CAN CHOOSE TO INVESTIGATE ANY ASPECT OF THE CASE TO HELP  
26 ARRIVE AT A DECISION.

27 (D) FOR A DISPUTE BROUGHT BEFORE AN ARBITRATOR UNDER PARAGRAPH ONE OF  
28 THIS SUBDIVISION, SUCH ARBITRATOR SHALL RENDER A WRITTEN DETERMINATION  
29 SETTING THE RENT TO BE PAID DURING A RENEWAL PERIOD OF TEN YEARS,  
30 TOGETHER WITH THE BASIS FOR THE DETERMINATION OF THE RENT, AND SHALL  
31 NOTIFY THE PARTIES OF SUCH DETERMINATION NO LATER THAN THIRTY DAYS AFTER  
32 THE HEARING HAS BEEN CONCLUDED. FAILURE TO NOTIFY THE PARTIES WITHIN  
33 THIRTY DAYS SHALL NOT AFFECT THE ENFORCEABILITY OF SUCH DETERMINATION.  
34 ARTICLE SEVENTY-FIVE OF THE CIVIL PRACTICE LAW AND RULES GOVERNS ARBI-  
35 TRATION PROCEDURE IN NEW YORK STATE. THEREFORE, THE RULING OF THE ARBI-  
36 TRATION WILL BE GOVERNED BY THIS NEW YORK STATE STATUTE. SUCH DETERMI-  
37 NATION SHALL BE BASED ON (I) THE COST OF MAINTENANCE AND OPERATION OF  
38 THE ENTIRE PROPERTY INCLUDING LAND AND BUILDING IMPROVEMENTS, INCLUDING  
39 ALL SERVICE DEBT SUCH AS MORTGAGES, (II) THE KIND, QUALITY AND QUANTITY  
40 OF SERVICES FURNISHED BY THE LANDLORD, (III) THE CONDITION OF THE SPACE  
41 INCLUDING CAPITAL IMPROVEMENTS MADE BY THE TENANT, (IV) CURRENT INTEREST  
42 RATES ON BANK DEPOSITS AND UNITED STATES GOVERNMENT BONDS, (V) THE  
43 CURRENT FAIR MARKET RATES FOR COMPARABLE PROPERTIES IN THE AREA IN WHICH  
44 THE PROPERTY IS LOCATED, (VI) THE LEASE HISTORY AND ANY RELEVANT  
45 SUBLEASE HISTORY, (VII) THE LONGEVITY OF THE BUSINESS, (VIII) THE  
46 LOCATION OF THE BUSINESS, (IX) THE EXTENT TO WHICH THE BUSINESS IS BOUND  
47 TO ITS PARTICULAR LOCATION, (X) THE SIZE OF THE SPACE, (XI) THE COST OF  
48 LEASING SIMILAR PREMISES WITHIN A ONE MILE RADIUS OF THE PROPERTY, (XII)  
49 THE PAST TEN YEAR RENTAL MARKET HISTORY WITHIN A ONE MILE RADIUS OF THE  
50 PROPERTY, AS WELL AS, THE LENGTH OF TIME OF ANY CONSISTENT REAL ESTATE  
51 SPECULATION OCCURRING IN THE MARKET AND DEGREE OF REAL ESTATE SPECU-  
52 LATION FOR A PARTICULAR AREA WHICH THE BUSINESS IS LOCATED IN, THE  
53 EXISTENCE OF EMPTY STOREFRONT PROPERTY FOR EXTENDED PERIODS OF TIME AND  
54 THE IMPACT UPON THE LOCAL COMMERCIAL RENTAL MARKET OF UNUSUAL CONDITIONS  
55 AND (XIII) ALL OTHER RELEVANT FACTORS. THE ARBITRATOR SHALL CONSIDER  
56 THAT EACH SMALL BUSINESS AND LANDLORD RELATIONSHIP SHOULD BE DEALT WITH

1 ON A CASE-BY-CASE BASIS. WHERE THE COMMERCIAL PREMISES IS LOCATED IN A  
2 MIXED-USE BUILDING WITH LESS THAN TWENTY-FIVE RESIDENTIAL UNITS, THE  
3 ARBITRATOR SHALL GIVE SPECIAL CONSIDERATION TO THE CRITERIA LISTED IN  
4 ITEMS (I) AND (II) OF THIS SUBPARAGRAPH. WITHIN THIRTY DAYS OF THE HEAR-  
5 ING, THE ARBITRATOR SHALL SEND THE DECISION AS TO THE RENT PRICE TO THE  
6 PARTIES INVOLVED BY CERTIFIED MAIL. THE COSTS OF ARBITRATION SHALL BE  
7 BORNE EQUALLY BY LANDLORD AND TENANT. ARTICLE SEVENTY-FIVE OF THE CIVIL  
8 PRACTICE LAW AND RULES GOVERNS ARBITRATION PROCEDURE IN NEW YORK STATE.  
9 THEREFORE, THE RULING OF THE ARBITRATION WILL BE GOVERNED BY THIS NEW  
10 YORK STATE STATUTE.

11 (E) FOR A DISPUTE BROUGHT BEFORE AN ARBITRATOR UNDER PARAGRAPH TWO OF  
12 THIS SUBDIVISION, SUCH ARBITRATOR SHALL RENDER A WRITTEN DETERMINATION  
13 STATING THE BASIS FOR SUCH DETERMINATION AND NOTIFYING THE PARTIES OF  
14 SUCH DETERMINATION NO LATER THAN THIRTY DAYS AFTER THE HEARING HAS BEEN  
15 CONCLUDED. FAILURE TO RENDER A TIMELY, WRITTEN DETERMINATION AND TO  
16 NOTIFY PARTIES WITHIN THIRTY DAYS SHALL NOT AFFECT THE ENFORCEABILITY OF  
17 SUCH DETERMINATION. SUCH DETERMINATION SHALL BE BASED ON (I) APPROPRIATE  
18 LAWS APPLICABLE TO COMMERCIAL SPACES; (II) THE TERMS OF THE LEASE AND  
19 COMPLIANCE THEREWITH; (III) RENTAL GUIDELINES AS SET FORTH BY THE ADMIN-  
20 ISTERING AGENCY; (IV) FOLLOW THE PROVISIONS OF PARAGRAPHS ONE THROUGH  
21 EIGHT OF SUBDIVISION D OF THIS SECTION; AND (V) ANY OTHER RELEVANT AND  
22 MATERIAL FACTORS THAT THE ARBITRATOR SHALL DEEM PROPER. IF THE ARBITRA-  
23 TOR DECIDES IN FAVOR OF THE LANDLORD, THEN THE TENANT SHALL HAVE UNTIL  
24 THE END OF THE CURRENT LEASE TO VACATE. IF THE ARBITRATOR DECIDES IN  
25 FAVOR OF THE TENANT, THE PARTIES WILL BEGIN THE RENEGOTIATIONS OF NEW  
26 LEASE TERMS AND IF NECESSARY, THE MEDIATION PERIOD AS DETAILED IN PARA-  
27 GRAPH TWO OF SUBDIVISION E OF THIS SECTION. THE MAXIMUM LENGTH OF TIME  
28 PERMITTED FOR THIS RENEGOTIATION/MEDIATION PERIOD WILL BE REDUCED FROM  
29 NINETY DAYS TO THIRTY DAYS FROM THE DATE OF RECEIPT OF ARBITRATOR'S  
30 RULING. IF THE PARTIES HAVE NOT REACHED A MUTUAL AGREEMENT ON THE TERMS  
31 OF A NEW LEASE, AND MEDIATION FAILED TO ACHIEVE AGREEMENT WITHIN THE  
32 THIRTY DAY PERIOD AFTER ARBITRATORS' RULING ON "RIGHT OF RENEWAL", THEN  
33 THE PARTIES ARE TO PROCEED TO ARBITRATION AS DETAILED IN PARAGRAPH TWO  
34 OF SUBDIVISION E OF THIS SECTION.

35 (F) THE ARBITRATOR'S DECISION SETTING THE RENT PRICE SHALL BE FINAL  
36 AND BINDING ON BOTH PARTIES EXCEPT AS PROVIDED HEREIN, AND THEY SHALL  
37 ENTER INTO A LEASE INCORPORATING SUCH RENT WHICH LEASE DOES NOT DIMINISH  
38 ANY SERVICES PROVIDED BY THE LANDLORD PURSUANT TO THE EXISTING LEASE.  
39 SUCH RENEWAL LEASE SHALL BE ENTERED INTO BY THE TERMINATION DATE OF THE  
40 CURRENT LEASE AND SHALL COMMENCE AT THE TIME OF EXPIRATION OF THE EXIST-  
41 ING LEASE. IF, HOWEVER, THE TENANT ELECTS NOT TO PAY THE RENT SET BY THE  
42 ARBITRATOR, THEN THE LANDLORD AND TENANT SHALL NOT ENTER INTO A NEW  
43 LEASE AGREEMENT OR RENEW THE EXISTING LEASE.

44 (G) IF, PURSUANT TO SUBPARAGRAPH (F) OF THIS PARAGRAPH, THE TENANT  
45 ELECTS TO NOT PAY THE RENT SET BY THE ARBITRATOR, THE TENANT WILL BE  
46 ALLOWED TO REMAIN IN POSSESSION AT A RENT NO GREATER THAN A TEN PERCENT  
47 INCREASE OF THE AVERAGE RENT CHARGED DURING THE FINAL TWELVE MONTHS OF  
48 THE LAST RENTAL AGREEMENT BETWEEN THE LANDLORD AND TENANT FROM THE  
49 TERMINATION DATE OF THE EXISTING LEASE UNTIL SUCH DATE ON WHICH THE  
50 TENANT SHALL REMOVE HIS OR HER PROPERTY FROM THE PREMISES AS PROVIDED  
51 HEREIN. IN THE EVENT THE LANDLORD RECEIVES A WRITTEN BONA FIDE OFFER  
52 FROM A PROSPECTIVE TENANT TO RENT THE PREMISES, THE LANDLORD MUST FIRST  
53 OFFER THE CURRENT TENANT THE OPTION OF ENTERING INTO A LEASE AT THE RENT  
54 AND OTHER TERMS AGREED TO BY THE PROSPECTIVE TENANT TO THE LANDLORD. THE  
55 LANDLORD IS TO NOTIFY THE TENANT OF SUCH OFFER WITHIN THREE DAYS OF  
56 RECEIPT OF SUCH WRITTEN BONA FIDE OFFER. IF THE TENANT DECLINES TO PAY

1 THE RENT OR FAILS TO ACCEPT THE OFFER WITHIN FOURTEEN DAYS OF RECEIPT OF  
2 THE LANDLORD'S NOTIFICATION TO THE TENANT OF SUCH OFFER, THEN THE TENANT  
3 HAS THIRTY DAYS, FROM THE DATE SUCH NOTICE IS RECEIVED, TO REMOVE PROP-  
4 erty FROM THE COMMERCIAL PREMISES PROVIDED THAT THE LEASE HAS EXPIRED.  
5 IF THE TENANT ACCEPTS THE OPTION OF FIRST REFUSAL, THE LANDLORD AND  
6 TENANT SHALL ENTER INTO A LEASE BASED UPON THE TERMS OF THE BONA FIDE  
7 OFFER RECEIVED BY THE LANDLORD FROM THE PROSPECTIVE TENANT.

8 S 22-905 SECURITY DEPOSITS. SECURITY DEPOSITS SHALL NOT EXCEED AN  
9 AMOUNT EQUAL TO TWO MONTHS RENT. ALL SECURITY DEPOSITS SHALL BE PLACED  
10 IN ESCROW IN AN INTEREST-BEARING ACCOUNT AT A FEDERALLY INSURED BANK  
11 LOCATED IN NEW YORK STATE. THE TENANT SHALL BE NOTIFIED IN WRITING OF  
12 THE LOCATION OF SUCH ESCROW ACCOUNT. INTEREST PAID ON THE ACCOUNT SHALL  
13 BE PAID IN FULL TO THE TENANT UPON TERMINATION OF THE LEASE. THE AMOUNT  
14 OF INTEREST PAID TO THE TENANT SHALL EQUAL THE INTEREST PAID BY SUCH  
15 FEDERALLY INSURED BANK LESS ONE PERCENT FOR THE LANDLORD'S ADMINISTRA-  
16 TIVE COSTS.

17 S 22-906 RETALIATION. NO LANDLORD SHALL IN ANY WAY RETALIATE AGAINST  
18 ANY TENANT FOR THE TENANT'S ASSERTION OR EXERCISE OF ANY RIGHTS UNDER  
19 THIS CHAPTER. ANY SUCH RETALIATION MAY SUBJECT THE LANDLORD TO A SUIT  
20 FOR ACTUAL AND PUNITIVE DAMAGES, INJUNCTIVE RELIEF, AND ATTORNEY'S FEES.  
21 PROOF OF RETALIATION BY THE LANDLORD OCCURRING PRIOR TO OR DURING THE  
22 ARBITRATION PROCEEDING SHALL BE CONSIDERED BY THE ARBITRATOR IN MAKING A  
23 DETERMINATION AS TO THE RENT TO BE PAID.

24 S 22-907 WAIVER. NO PROVISION IN ANY LEASE, RENTAL AGREEMENT, OR  
25 AGREEMENT MADE IN CONNECTION THEREWITH WHICH WAIVES OR DIMINISHES ANY  
26 RIGHT OF TENANT UNDER THIS CHAPTER IS VALID.

27 S 22-908 EVALUATION. AT THE END OF EACH FIFTH YEAR, THE ADMINISTERING  
28 AGENCY SHALL REPORT TO THE MAYOR AND THE COUNCIL ON THE EFFECTIVENESS OF  
29 THIS CHAPTER IN CARRYING OUT THE PURPOSES SET FORTH IN THE LEGISLATIVE  
30 FINDINGS. THE RECOMMENDATIONS SHOULD TAKE INTO ACCOUNT THE EXISTING  
31 COMMERCIAL RENTAL MARKET WHICH INCLUDES AMONG OTHER FACTORS THE  
32 INFLATION AND INTEREST RATES. THIS REPORT SHALL ALSO IDENTIFY ANY OTHER  
33 POSITIVE OR NEGATIVE EFFECTS OF THE LAW.

34 S 22-909 PENALTIES. A. A LANDLORD OR TENANT MAY SEEK INJUNCTIVE RELIEF  
35 MANDATING ARBITRATION AND/OR APPROPRIATE DAMAGES AGAINST ANY LANDLORD OR  
36 TENANT WHO FAILS TO SUBMIT VOLUNTARILY TO ARBITRATION OR OTHERWISE FAILS  
37 TO ACT IN GOOD FAITH.

38 B. ANY AND ALL LEGAL EXPENSES INCURRED BY ONE PARTY AS A RESULT OF ITS  
39 ATTEMPT TO COMPEL THE OTHER PARTY TO COMPLY WITH THE PROVISIONS OF THIS  
40 CHAPTER MAY BE AWARDED TO THE APPROPRIATE PARTY BY THE ARBITRATOR OR A  
41 CIVIL COURT OF COMPETENT JURISDICTION.

42 S 22-910 INCONSISTENCY WITH OTHER LAWS. IN THE EVENT OF ANY INCONSIST-  
43 ENCY WITH ANY OTHER LAWS OF THE CITY OF NEW YORK, THIS LAW SHALL TAKE  
44 PRECEDENCE.

45 S 4. Severability. If any clause, sentence, paragraph, section or part  
46 of this act shall be adjudged by any court of competent jurisdiction to  
47 be invalid and after exhaustion of all further judicial review, the  
48 judgment shall not affect, impair or invalidate the remainder thereof,  
49 but shall be confined in its operation to the clause, sentence, para-  
50 graph, section or part of this act directly involved in the controversy  
51 in which the judgment shall have been rendered.

52 S 5. This act shall take effect on the one hundred thirtieth day after  
53 it shall have become a law.