

3889--A

2015-2016 Regular Sessions

I N S E N A T E

February 20, 2015

Introduced by Sens. PARKER, AVELLA -- read twice and ordered printed, and when printed to be committed to the Committee on Housing, Construction and Community Development -- recommitted to the Committee on Housing, Construction and Community Development in accordance with Senate Rule 6, sec. 8 -- 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, the emergency tenant protection act of nineteen seventy-four and the emergency housing rent control law, in relation to requiring the state division of housing and community renewal to verify there are no housing code violations prior to authorizing a rent increase for major capital improvements

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

1 Section 1. Paragraph 1 of subdivision g of section 26-405 of the
2 administrative code of the city of New York is amended by adding a new
3 subparagraph (p) to read as follows:
4 (P) ADJUSTMENTS MADE PURSUANT TO SUBPARAGRAPH (G) OF THIS PARAGRAPH
5 SHALL BE COLLECTIBLE UPON THE LANDLORD'S FILING OF A REPORT WITH THE
6 CITY RENT AGENCY, SUBJECT TO THE PROVISIONS OF SUBPARAGRAPH (E) OF PARAGRAPH
7 TWO OF SUBDIVISION A OF THIS SECTION AND VERIFICATION BY THE CITY
8 RENT AGENCY, IN COLLABORATION WITH LOCAL AUTHORITIES RESPONSIBLE FOR
9 INSPECTING BUILDINGS, THAT THE APPLICANT DOES NOT HAVE MORE THAN THIRTY
10 CLASS A HOUSING CODE VIOLATIONS OR A CLASS B OR C HOUSING CODE VIOLATION
11 ON THE PROPERTY. OUTSTANDING HOUSING CODE VIOLATIONS THAT ARE FOUND
12 SHALL BE CLEARED, CORRECTED OR ABATED BY THE LANDLORD AND VERIFIED BY
13 THE CITY RENT AGENCY PRIOR TO AUTHORIZATION OF A RENT INCREASE UNDER
14 SUBPARAGRAPH (G) OF THIS PARAGRAPH.
15 S 2. Paragraph 6 of subdivision c of section 26-511 of the administrative
16 code of the city of New York, as amended by section 29 of part A of
17 chapter 20 of the laws of 2015, is amended to read as follows:

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

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(6) provides criteria whereby the commissioner may act upon applications by owners for increases in excess of the level of fair rent increase established under this law provided, however, that such criteria shall provide (a) as to hardship applications, for a finding that the level of fair rent increase is not sufficient to enable the owner to maintain approximately the same average annual net income (which shall be computed without regard to debt service, financing costs or management fees) for the three year period ending on or within six months of the date of an application pursuant to such criteria as compared with annual net income, which prevailed on the average over the period nineteen hundred sixty-eight through nineteen hundred seventy, or for the first three years of operation if the building was completed since nineteen hundred sixty-eight or for the first three fiscal years after a transfer of title to a new owner provided the new owner can establish to the satisfaction of the commissioner that he or she acquired title to the building as a result of a bona fide sale of the entire building and that the new owner is unable to obtain requisite records for the fiscal years nineteen hundred sixty-eight through nineteen hundred seventy despite diligent efforts to obtain same from predecessors in title and further provided that the new owner can provide financial data covering a minimum of six years under his or her continuous and uninterrupted operation of the building to meet the three year to three year comparative test periods herein provided; and (b) as to completed building-wide major capital improvements, for a finding that such improvements are deemed depreciable under the Internal Revenue Code and that the cost is to be amortized over an eight-year period for a building with thirty-five or fewer housing accommodations, or a nine-year period for a building with more than thirty-five housing accommodations, for any determination issued by the division of housing and community renewal after the effective date of the rent act of 2015, based upon cash purchase price exclusive of interest or service charges. THE DIVISION OF HOUSING AND COMMUNITY RENEWAL SHALL REQUIRE THE SUBMISSION OF A REPORT BY LANDLORDS APPLYING FOR A RENT INCREASE FOR MAJOR CAPITAL IMPROVEMENTS PURSUANT TO THIS PARAGRAPH AND SUBJECT TO VERIFICATION BY THE DIVISION OF HOUSING AND COMMUNITY RENEWAL, IN COLLABORATION WITH LOCAL AUTHORITIES RESPONSIBLE FOR INSPECTING BUILDINGS, CERTIFYING THAT THERE ARE NOT MORE THAN THIRTY CLASS A HOUSING CODE VIOLATIONS NOR A CLASS B OR C HOUSING CODE VIOLATION ON THE PROPERTY, PRIOR TO RECEIVING APPROVAL FOR SUCH RENT INCREASE. Notwithstanding anything to the contrary contained herein, no hardship increase granted pursuant to this paragraph shall, when added to the annual gross rents, as determined by the commissioner, exceed the sum of, (i) the annual operating expenses, (ii) an allowance for management services as determined by the commissioner, (iii) actual annual mortgage debt service (interest and amortization) on its indebtedness to a lending institution, an insurance company, a retirement fund or welfare fund which is operated under the supervision of the banking or insurance laws of the state of New York or the United States, and (iv) eight and one-half percent of that portion of the fair market value of the property which exceeds the unpaid principal amount of the mortgage indebtedness referred to in subparagraph (iii) of this paragraph. Fair market value for the purposes of this paragraph shall be six times the annual gross rent. The collection of any increase in the stabilized rent for any apartment pursuant to this paragraph shall not exceed six percent in any year from the effective date of the order granting the increase over the rent set forth in the schedule of gross rents, with collectability of any dollar excess above said sum to be

spread forward in similar increments and added to the stabilized rent as established or set in future years;

S 3. Subdivision d of section 6 of section 4 of chapter 576 of the laws of 1974, constituting the emergency tenant protection act of nineteen seventy-four, is amended by adding a new paragraph 6 to read as follows:

(6) ADJUSTMENTS MADE PURSUANT TO PARAGRAPH (3) OF THIS SUBDIVISION SHALL BE COLLECTABLE UPON THE LANDLORD'S FILING OF A REPORT WITH THE STATE DIVISION OF HOUSING AND COMMUNITY RENEWAL AND SUBJECT TO VERIFICATION BY THE STATE DIVISION OF HOUSING AND COMMUNITY RENEWAL, IN COLLABORATION WITH LOCAL AUTHORITIES RESPONSIBLE FOR INSPECTING BUILDINGS, THAT THE APPLICANT DOES NOT HAVE MORE THAN THIRTY CLASS A HOUSING CODE VIOLATIONS OR A CLASS B OR C HOUSING CODE VIOLATION ON THE PROPERTY. OUTSTANDING HOUSING CODE VIOLATIONS THAT ARE FOUND SHALL BE CLEARED, CORRECTED OR ABATED BY THE LANDLORD AND VERIFIED BY THE STATE DIVISION OF HOUSING AND COMMUNITY RENEWAL PRIOR TO AUTHORIZATION OF A RENT INCREASE UNDER PARAGRAPH (3) OF THIS SUBDIVISION.

S 4. The second undesignated paragraph of paragraph (a) of subdivision 4 of section 4 of chapter 274 of the laws of 1946, constituting the emergency housing rent control law, as amended by section 25 of part B of chapter 97 of the laws of 2011, subparagraph 7 as amended by section 32 of part A of chapter 20 of the laws of 2015, is amended to read as follows:

No application for adjustment of maximum rent based upon a sales price valuation shall be filed by the landlord under this subparagraph prior to six months from the date of such sale of the property. In addition, no adjustment ordered by the commission based upon such sales price valuation shall be effective prior to one year from the date of such sale. Where, however, the assessed valuation of the land exceeds four times the assessed valuation of the buildings thereon, the commission may determine a valuation of the property equal to five times the equalized assessed valuation of the buildings, for the purposes of this subparagraph. The commission may make a determination that the valuation of the property is an amount different from such equalized assessed valuation where there is a request for a reduction in such assessed valuation currently pending; or where there has been a reduction in the assessed valuation for the year next preceding the effective date of the current assessed valuation in effect at the time of the filing of the application. Net annual return shall be the amount by which the earned income exceeds the operating expenses of the property, excluding mortgage interest and amortization, and excluding allowances for obsolescence and reserves, but including an allowance for depreciation of two per centum of the value of the buildings exclusive of the land, or the amount shown for depreciation of the buildings in the latest required federal income tax return, whichever is lower; provided, however, that (1) no allowance for depreciation of the buildings shall be included where the buildings have been fully depreciated for federal income tax purposes or on the books of the owner; or (2) the landlord who owns no more than four rental units within the state has not been fully compensated by increases in rental income sufficient to offset unavoidable increases in property taxes, fuel, utilities, insurance and repairs and maintenance, excluding mortgage interest and amortization, and excluding allowances for depreciation, obsolescence and reserves, which have occurred since the federal date determining the maximum rent or the date the property was acquired by the present owner, whichever is later; or (3) the landlord operates a hotel or rooming house or owns a cooperative

1 apartment and has not been fully compensated by increases in rental
2 income from the controlled housing accommodations sufficient to offset
3 unavoidable increases in property taxes and other costs as are allocable
4 to such controlled housing accommodations, including costs of operation
5 of such hotel or rooming house, but excluding mortgage interest and
6 amortization, and excluding allowances for depreciation, obsolescence
7 and reserves, which have occurred since the federal date determining the
8 maximum rent or the date the landlord commenced the operation of the
9 property, whichever is later; or (4) the landlord and tenant voluntarily
10 enter into a valid written lease in good faith with respect to any hous-
11 ing accommodation, which lease provides for an increase in the maximum
12 rent not in excess of fifteen per centum and for a term of not less than
13 two years, except that where such lease provides for an increase in
14 excess of fifteen per centum, the increase shall be automatically
15 reduced to fifteen per centum; or (5) the landlord and tenant by mutual
16 voluntary written agreement agree to a substantial increase or decrease
17 in dwelling space or a change in the services, furniture, furnishings or
18 equipment provided in the housing accommodations; provided that an owner
19 shall be entitled to a rent increase where there has been a substantial
20 modification or increase of dwelling space or an increase in the
21 services, or installation of new equipment or improvements or new furni-
22 ture or furnishings provided in or to a tenant's housing accommodation.
23 The permanent increase in the maximum rent for the affected housing
24 accommodation shall be one-fortieth, in the case of a building with
25 thirty-five or fewer housing accommodations, or one-sixtieth, in the
26 case of a building with more than thirty-five housing accommodations
27 where such permanent increase takes effect on or after September twen-
28 ty-fourth, two thousand eleven, of the total cost incurred by the land-
29 lord in providing such modification or increase in dwelling space,
30 services, furniture, furnishings or equipment, including the cost of
31 installation, but excluding finance charges provided further that an
32 owner who is entitled to a rent increase pursuant to this clause shall
33 not be entitled to a further rent increase based upon the installation
34 of similar equipment, or new furniture or furnishings within the useful
35 life of such new equipment, or new furniture or furnishings. The owner
36 shall give written notice to the commission of any such adjustment
37 pursuant to this clause; or (6) there has been, since March first, nine-
38 teen hundred fifty, an increase in the rental value of the housing
39 accommodations as a result of a substantial rehabilitation of the build-
40 ing or housing accommodation therein which materially adds to the value
41 of the property or appreciably prolongs its life, excluding ordinary
42 repairs, maintenance and replacements; or (7) there has been since March
43 first, nineteen hundred fifty, a major capital improvement required for
44 the operation, preservation or maintenance of the structure; which for
45 any order of the commissioner issued after the effective date of the
46 rent act of 2015 the cost of such improvement shall be amortized over an
47 eight-year period for buildings with thirty-five or fewer units or a
48 nine year period for buildings with more than [thirty-five] THIRTY-FIVE
49 units, or (8) there has been since March first, nineteen hundred fifty,
50 in structures containing more than four housing accommodations, other
51 improvements made with the express consent of the tenants in occupancy
52 of at least seventy-five per centum of the housing accommodations,
53 provided, however, that no adjustment granted hereunder shall exceed
54 fifteen per centum unless the tenants have agreed to a higher percentage
55 of increase, as herein provided; or (9) there has been, since March
56 first, nineteen hundred fifty, a subletting without written consent from

1 the landlord or an increase in the number of adult occupants who are not
2 members of the immediate family of the tenant, and the landlord has not
3 been compensated therefor by adjustment of the maximum rent by lease or
4 order of the commission or pursuant to the federal act; or (10) the
5 presence of unique or peculiar circumstances materially affecting the
6 maximum rent has resulted in a maximum rent which is substantially lower
7 than the rents generally prevailing in the same area for substantially
8 similar housing accommodations. ADJUSTMENTS MADE PURSUANT TO SUBPARA-
9 GRAPH (7) OF THIS PARAGRAPH SHALL BE COLLECTIBLE UPON THE LANDLORD'S
10 FILING OF A REPORT WITH THE COMMISSION AND SUBJECT TO VERIFICATION BY
11 THE COMMISSION, IN COLLABORATION WITH LOCAL AUTHORITIES RESPONSIBLE FOR
12 INSPECTING BUILDINGS, THAT THE APPLICANT DOES NOT HAVE MORE THAN THIRTY
13 CLASS A HOUSING CODE VIOLATIONS OR A CLASS B OR C HOUSING CODE VIOLATION
14 ON THE PROPERTY. OUTSTANDING HOUSING CODE VIOLATIONS THAT ARE FOUND SHALL
15 BE CLEARED, CORRECTED OR ABATED BY THE LANDLORD AND VERIFIED BY THE
16 COMMISSION PRIOR TO AUTHORIZATION OF A RENT INCREASE UNDER SUBPARAGRAPH
17 (7) OF THIS PARAGRAPH.

18 S 5. This act shall take effect on the sixtieth day after it shall
19 have become a law; provided that:

20 (a) the amendments to section 26-405 of the city rent and rehabili-
21 tation law made by section one of this act shall remain in full force
22 and effect only as long as the public emergency requiring the regulation
23 and control of residential rents and evictions continues, as provided in
24 subdivision 3 of section 1 of the local emergency housing rent control
25 act;

26 (b) the amendments to section 26-511 of the rent stabilization law of
27 nineteen hundred sixty-nine made by section two of this act shall expire
28 on the same date as such law expires and shall not affect the expiration
29 of such law as provided under section 26-520 of such law, as from time
30 to time amended;

31 (c) the amendment to section 6 of the emergency tenant protection act
32 of nineteen seventy-four made by section three of this act shall expire
33 on the same date as such act expires and shall not affect the expiration
34 of such act as provided in section 17 of chapter 576 of the laws of
35 1974, as from time to time amended; and

36 (d) the amendment to section 4 of the emergency housing rent control
37 law made by section four of this act shall expire on the same date as
38 such law expires and shall not affect the expiration of such law as
39 provided in subdivision 2 of section 1 of chapter 274 of the laws of
40 1946.