

STATE OF NEW YORK

2943--A

2023-2024 Regular Sessions

IN SENATE

January 26, 2023

Introduced by Sens. KAVANAGH, GIANARIS, KRUEGER -- read twice and ordered printed, and when printed to be committed to the Committee on Cities 1 -- committee discharged and said bill committed to the Committee on Housing, Construction and Community Development -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to apply the Housing Stability and Tenant Protection Act of 2019 to rent calculations and rent records maintenance and destruction

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Legislative findings. The legislature hereby finds and
2 declares that:
3 (a) the pool of rent regulated apartments in New York state contains
4 an unacceptably high number of apartments in which the current rents are
5 based on prior rents that exceeded the legal regulated rent at the time
6 they were charged, but for which remedies were limited under the law in
7 effect before the effective date of the Housing Stability and Tenant
8 Protection Act of 2019 (HSTPA);
9 (b) it is public policy prospectively to reduce, insofar as possible,
10 those rents to a level in line with what they would have been in the
11 absence of the unlawful rent setting and deregulations that were permit-
12 ted under prior law to go unremedied, and therefore to impose the rent
13 calculation standards of the HSTPA prospectively from the date of its
14 enactment, including in cases where the pre-HSTPA rent has already been
15 established by a court or administrative agency;
16 (c) the purpose of the prospective application of the penalty and
17 record review provisions of the HSTPA is to prevent the perpetual
18 collection of unlawful and inflated rents, and to encourage the volun-
19 tary registration of any rent stabilized apartment for which any prior
20 annual registration statement has not been filed, and to encourage the
21 voluntary recalculation of unreliable pre-HSTPA rents;

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

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1 (d) in light of court decisions arising under the HSTPA of 2019,
2 including Regina Metro v. DHCR, it is public policy that the legislature
3 define clearly the prospective reach of that law, and limit, to the
4 extent required by the constitution, the retroactive reach of that law;

5 (e) despite Regina, the scope of the fraud exception to the pre-HSTPA
6 four year rule for calculating rents remains unsettled and the subject
7 of litigation, and courts have diverged from the controlling authority
8 of Thornton v. Baron and Grimm v. DHCR to impose a common law fraud
9 standard that is not found in these cases and is inconsistent with the
10 intent of the legislature to discourage and penalize fraud against the
11 rent regulatory system itself, as well as against individual tenants,
12 and it is therefore public policy that the legislature codify, without
13 expanding or reducing the liability of landlords under pre-HSTPA law,
14 the standard for applying that exception;

15 (f) the New York state division of housing and community renewal
16 (DHCR) misinterpreted the rent stabilization law for a significant peri-
17 od of time with respect to the regulatory obligations arising from the
18 receipt of J-51 and 421-a tax benefits resulting in the unlawful deregulation
19 of tens of thousands of rent-stabilized apartments, the setting
20 of unlawful rents, and the collection of millions of dollars of rent
21 overcharges, during a housing emergency. Both landlords and tenants
22 relied upon the DHCR's misinterpretation of the law. In Regina, the
23 Court of Appeals settled many of the issues arising from overcharge
24 claims by tenants who were misled into refraining from filing overcharge
25 cases during the period when DHCR's erroneous interpretation of the law
26 was in effect, but left open the issue of whether a landlord's ongoing
27 collection of overcharges and failure to return apartments to rent-sta-
28 bilization, after the law was clarified, should be treated as fraud;

29 (g) the integrity of the registration system for rent regulated hous-
30 ing has been eroded by the use of base date rents, rather than the
31 service and filing of reliable registration statements, to set rents
32 under the law in effect between the enactment of the Rent Regulation
33 Reform Act of 1997 and the HSTPA. It is therefore public policy to
34 impose, prospectively from the date of the enactment of the HSTPA, a
35 rent calculation formula that, insofar as possible, derives the legal
36 regulated rents for apartments from reliable registration statements
37 served upon tenants and made available to the public; and

38 (h) because pre-HSTPA law with respect to the maintenance by landlords
39 of rent records was complex, and has an ongoing impact upon the calcu-
40 lation of post-HSTPA rents, it is necessary to codify the pre-HSTPA law
41 that applied to the destruction of rent records prior to the enactment
42 of the HSTPA, and to define clearly the impact of such law upon the
43 prospective calculation of rents under the HSTPA.

44 § 2. (a) The legal rent for all rent stabilized apartments for the
45 period from July 1, 2019 and thereafter shall be determined in accord-
46 ance with Part F of the HSTPA. Where the legal regulated rent for a rent
47 stabilized apartment for the period prior to June 14, 2019 has been
48 determined by any court or administrative agency, that determination
49 shall not foreclose a recalculation of the post-HSTPA rent, except that
50 any pre-HSTPA rent that, as of June 14, 2019, is lower than the rent
51 that would be permitted to be charged under the HSTPA, shall be deemed
52 to be the lawful rent under the HSTPA on June 15, 2019, and shall be
53 used as the basis for calculating subsequent rents under the HSTPA;

54 (b) Subdivision (a) of this section shall apply to all cases, includ-
55 ing those pending as of June 14, 2019 before any court, appellate tribu-
56 nal, or administrative agency in which a claim for rent overcharges or

1 rent arrears has been asserted with respect to rent stabilized housing,
2 the legal regulated rent for the period from June 14, 2019 and thereaft-
3 er shall be determined in accordance with Part F of the HSTPA. The
4 legal regulated rent for the portion of any overcharge claim involving
5 rents paid prior to June 14, 2019 shall be determined under pre-HSTPA
6 law, including the default formula in cases of fraud, as codified here-
7 in.

8 (c) Nothing in this act, or the HSTPA, or prior law, shall be
9 construed as restricting, impeding or diminishing the use of records of
10 any age or type, going back to any date that may be relevant, for
11 purposes of determining the status of any apartment under the rent
12 stabilization law;

13 (d) The legal regulated rent payable for the period prior to June 14,
14 2019 shall be calculated in accordance with the law in effect prior to
15 the HSTPA, including the prior four year limitation on the consideration
16 of rent records, and including the fraud exception to such limitation
17 and such other exceptions as existed under prior law and under the regu-
18 lations of the New York state division of housing and community renewal.
19 Nothing in this act shall be construed as limiting such exceptions or as
20 limiting the application of any equitable doctrine that extends statutes
21 of limitations generally. With respect to the calculation of legal
22 rents for the period either prior to or subsequent to June 14, 2019, an
23 owner shall be deemed to have committed fraud if the owner shall have
24 committed a material breach of any duty, arising under statutory, admin-
25 istrative or common law, to disclose truthfully to any tenant, govern-
26 ment agency or judicial or administrative tribunal, the rent, regulatory
27 status, or lease information, for purposes of claiming an unlawful rent
28 or claiming to have deregulated an apartment, whether or not the owner's
29 conduct would be considered fraud under the common law, and whether or
30 not a complaining tenant specifically relied on untruthful or misleading
31 statements in registrations, leases, or other documents. The following
32 conduct shall be presumed to have been the product of such fraud: (1)
33 the unlawful deregulation of any apartment, including such deregulation
34 as results from claiming an unlawful increase such as would have brought
35 the rent over the deregulation threshold that existed under prior law,
36 unless the landlord can prove good faith reliance on a directive or
37 ruling by an administrative agency or court; or (2) beginning October 1,
38 2011, failing to register, as rent stabilized, any apartment in a build-
39 ing receiving J-51 or 421-a benefits;

40 (e) In accordance with the practice of the New York state division of
41 housing and community renewal prior to June 14, 2019, where fraud is not
42 established, base rents of apartments unlawfully deregulated shall be
43 calculated as the average of rents for comparable rent stabilized apart-
44 ments in the building, rather than the default formula applicable to
45 cases involving fraud;

46 (f) For the period prior to June 14, 2019, neither the version of
47 subdivision g of section 26-516 of the administrative code of the city
48 of New York then in effect, nor the version of section 2523.7 of the
49 rent stabilization code (9 NYCRR 2523.7) then in effect shall be
50 construed as permitting the destruction of rent records for units that
51 have not been properly and timely registered. Where records have been
52 permitted to be destroyed by virtue of proper registration, and no other
53 law required the maintenance of such records, and where the owner has
54 proven that such records were actually destroyed in accordance with
55 prior law and that such destruction took place prior to June 15, 2019,
56 the registration served and filed prior to such lawful destruction of

1 records shall be presumed to be reliable, for purposes of any post-HSTPA
2 calculation of the rent, but that presumption shall be rebuttable. The
3 parties shall be entitled to discovery of any evidence found to be
4 reasonably necessary to demonstrate the legal rent. Nothing in this
5 paragraph shall be interpreted as authorizing the destruction of any
6 record, that under prior law was relevant to establishing (1) the status
7 of an apartment as regulated or unregulated; (2) the presence or absence
8 of fraud with respect to renting any housing accommodation; (3) the
9 presence or absence of willfulness in the collection of overcharges; (4)
10 the useful life of any item, the replacement of which is claimed by the
11 owner to qualify an apartment for a rent increase; (5) the duration of
12 any tenancy, such as would establish whether an owner was entitled under
13 prior law to a longevity increase; or (6) compliance with any law that,
14 independently of the rent stabilization law, required or requires the
15 maintenance of such records. Where the calculation of the rent is
16 dependent upon records that the owner has improperly destroyed, includ-
17 ing where the records were destroyed without the apartment having been
18 registered, the rent shall be calculated in accordance with the default
19 formula.

20 § 3. This act shall take effect immediately.