

STATE OF NEW YORK

6352

2023-2024 Regular Sessions

IN SENATE

April 17, 2023

Introduced by Sens. COMRIE, FERNANDEZ, SEPULVEDA, MANNION, PARKER, RYAN, SCARCELLA-SPANTON, SKOUFIS -- read twice and ordered printed, and when printed to be committed to the Committee on Housing, Construction and Community Development

AN ACT to amend the administrative code of the city of New York, in relation to certain housing accommodations; and to amend chapter 576 of the laws of 1974, constituting the emergency tenant protection act of nineteen seventy-four, in relation to certain hardship provisions

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

1 Section 1. Subdivision c of section 26-511 of the administrative code
2 of the city of New York is amended by adding a new paragraph 15 to read
3 as follows:

4 (15) provides that, notwithstanding any other provision of this chap-
5 ter to the contrary, when a housing accommodation subject to this chap-
6 ter has been vacated after continuous tenancy or occupancy of ten years
7 or more prior to vacancy, and the owner has submitted documentation to
8 the division demonstrating restoration of the unit as set forth in
9 section 26-511.2 of this chapter, the new legal regulated rent shall be
10 the rent agreed to by the owner and first tenant after such restoration
11 and reserved in a lease or other rental agreement; provided that such
12 new legal regulated rent may be adjusted on audit by the division under
13 section 26-511.2 of this chapter, or on application of a tenant under
14 section 26-513.1 of this chapter. The legal regulated rent adjustment
15 set forth in this paragraph shall be known as the local regulated hous-
16 ing restoration adjustment.

17 § 2. The administrative code of the city of New York is amended by
18 adding a new section 26-511.2 to read as follows:

19 § 26-511.2 The local regulated housing restoration adjustment. a. The
20 division of housing and community renewal, the "division" shall estab-
21 lish a notification procedure and documentation submission guidelines

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

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1 for the local regulated housing restoration adjustment. Documentation
2 to qualify for the local regulated housing restoration adjustment shall
3 be limited to:

4 (1) XRF test results demonstrating a lead-free housing accommodation
5 under applicable local definitions;

6 (2) any required tenant protection plans or similar submission in
7 connection with such restoration;

8 (3) any required contractor licenses;

9 (4) list and specifications of new electric appliances installed;

10 (5) before and after photos;

11 (6) lease or rental agreement listing new legal regulated rent; and

12 (7) legal regulated rent amount or amounts for substantially similar
13 unit or units as defined by section 26-513.1 of this chapter.

14 b. The local regulated housing restoration adjustment shall not be
15 permitted:

16 (1) for units that are rented within a twenty-four-month period after
17 an arm's length transfer of ownership;

18 (2) for units that are rented within a thirty-six-month period after
19 determination by the division that the owner has engaged in unlawful
20 harassment with respect to the unit; or

21 (3) after an eviction, unless the eviction was pursuant to order,
22 judgment, or other decree by court or governmental or legal authority
23 for reasons including nonpayment of rent, expiration or termination of
24 the lease term or license or other occupancy right, violation of a
25 substantial obligation of the tenancy, or any other grounds permitted
26 under this chapter.

27 c. The division shall establish an audit process to review a percent-
28 age, as established by the division, of housing accommodations that
29 register adjusted legal regulated rents under the local regulated hous-
30 ing restoration adjustment. The division's established audit process
31 shall be subject to the following requirements:

32 (1) any audit shall be limited to: (i) confirmation that documentation
33 set forth in subdivision a of this section has been submitted; (ii)
34 visual inspection of the subject unit; and (iii) review of the unit's
35 registered rent in comparison to the legal regulated rents of substan-
36 tially similar housing accommodations in the same geographic area
37 considering the same factors set forth in section 26-513.1 of this chap-
38 ter, including the owner's right to submit the legal regulated rent of a
39 substantially similar unit or units. Such audit shall be initiated with-
40 in one year of the filing of an annual apartment registration indicating
41 an adjustment to the legal regulated rent under the local regulated
42 housing restoration adjustment.

43 (2) if an audit under this subdivision determines that an owner has
44 failed to submit documentation set forth in subdivision a of this
45 section and the owner then fails to submit any missing documentation
46 after sixty days' written notice from the division, the division may
47 then set the subject unit's legal regulated rent based upon an evalu-
48 ation of documentation provided but in no event shall the legal regu-
49 lated rent be set at an amount less than HUD fair market value for the
50 statistical metropolitan area or the small area fair market rent as
51 determined by the local housing authority provided that applicable hous-
52 ing quality standards have been confirmed by inspection as set forth in
53 this section.

54 (3) if an audit under this subdivision determines that the owner
55 submitted documentation set forth in subdivision a of this section but
56 that the registered rent exceeds the level permitted under section

26-513.1 of this chapter, the division may set the legal regulated rent at the greater of the legal regulated rent for a substantially similar housing accommodation in the same geographic area or the HUD fair market value for the statistical metropolitan area or the small area fair market rent as determined by the local housing authority. Any required refunds shall be made in accordance with section 26-513.1 of this chapter.

d. Access to the documentation submitted as part of the local regulated housing restoration adjustment shall be governed by the same laws governing access to building and apartment registrations filed with the division.

§ 3. The administrative code of the city of New York is amended by adding a new section 26-513.1 to read as follows:

§ 26-513.1 Application for adjustment of local regulated housing restoration adjustment. a. The tenant of a housing accommodation that was vacant on, or became vacant after, June 14, 2019, and has been subject to the local regulated housing restoration adjustment, may file with the commissioner of housing and community renewal within 120 days after notice has been received under subdivision c of this section an application for the adjustment of the rent for such housing accommodation. Such applications shall be subject to the following:

(1) in the application, the tenant must allege that the local regulated housing restoration adjustment rent exceeds the rent for substantially similar units within the same geographic area.

(2) in determining an application filed pursuant to this section, the commissioner shall only consider legal regulated rents for substantially similar housing accommodations within a one-mile radius of the subject unit in the same borough or applicable municipal subdivision. Substantially similar housing accommodations are those rent-stabilized units with similar room counts and square footage, similar levels of code compliance, including state laws, local laws and codes for health, safety, and environmental sustainability, similar regulatory status, similar apartment conditions and quality of fixtures and finishes, similar unit and building amenities, similar quality and condition of the building and common areas, and with vacancy or renewal leases starting within twelve months from the start date of the complaining tenant's vacancy lease. For purposes of considering legal regulated rents of similar housing accommodations, the geographic area may be expanded by increments of one-quarter mile radii as many times as necessary to find a substantially similar housing accommodation located in the same borough or applicable municipal subdivision. Notwithstanding the foregoing, any local regulated housing restoration adjustment rent amount that does not exceed the HUD fair market value for the statistical metropolitan area or the small area fair market rent as determined by the local housing authority shall be determined to be fair.

(3) the owner of the housing accommodation subject to an application under this section shall be given an opportunity to submit proof of legal regulated rents for up to three substantially similar housing accommodations, in addition to any already submitted as part of the notification procedure under section 26-511.2 of this chapter.

(4) when the local regulated housing restoration adjustment rent amount is determined to exceed the legal regulated rent for a substantially similar housing accommodation as defined by this section, the commissioner of housing and community renewal shall order that the legal regulated rent for the subject unit shall be the greater of the legal regulated rent for a substantially similar housing accommodation in the

1 same geographic area or the HUD fair market value for the statistical
2 metropolitan area or the small area fair market rent as determined by
3 the local housing authority. Any required refunds shall be made by the
4 owner in cash or as a credit against unpaid rent over a period not to
5 exceed of six months.

6 b. Notwithstanding subdivision a of this section, provided that the
7 owner has submitted to the division documentation in accordance with
8 subdivision a of section 26-511.2 of this chapter, the division shall
9 only determine whether the rent charged to the first tenant after the
10 local regulated housing restoration adjustment is supported by the rent
11 for a substantially similar unit. Any documentation deficiencies shall
12 be resolved through the audit process set forth in section 26-511.2 of
13 this chapter.

14 c. In the lease execution package for the first lease after the legal
15 rent was adjusted under the local regulated housing restoration adjust-
16 ment, the owner shall give notice, both in the lease and subsequently in
17 writing by certified mail, or by electronic delivery if the tenant has
18 opted to receive electronic delivery of documents, to the tenant of such
19 housing accommodation on a form prescribed by the commissioner of hous-
20 ing and community renewal that the local regulated housing restoration
21 adjustment was applied, including notification of the prior legal regu-
22 lated rent, a description of work completed, the building address and
23 legal regulated rent amounts for at least one and up to three substan-
24 tially similar units, and such tenant's right to file an application
25 challenging the new legal regulated rent of such housing accommodation.

26 § 4. Paragraph 5 of subdivision d of section 6 of section 4 of chapter
27 576 of the laws of 1974, constituting the emergency tenant protection
28 act of nineteen seventy-four, as amended by chapter 102 of the laws of
29 1984, is amended and a new paragraph 6 is added to read as follows:

30 (5) as an alternative to the hardship application provided under para-
31 graph four of this subdivision, owners of buildings acquired by the same
32 owner or a related entity owned by the same principals three years prior
33 to the date of application may apply to the division for increases in
34 excess of the level of applicable guideline increases established under
35 this law based on a finding by the commissioner that such guideline
36 increases are not sufficient to enable the owner to maintain an annual
37 gross rent income for such building which exceeds the annual operating
38 expenses of such building by a sum equal to at least five percent of
39 such gross rent. For the purposes of this paragraph, operating expenses
40 shall consist of the actual, reasonable, costs of fuel, labor, utili-
41 ties, taxes, other than income or corporate franchise taxes, fees,
42 permits, necessary contracted services and non-capital repairs, insur-
43 ance, parts and supplies, management fees and other administrative costs
44 and mortgage interest. For the purposes of this paragraph, mortgage
45 interest shall be deemed to mean interest on a bona fide mortgage
46 including an allocable portion of charges related thereto. Criteria to
47 be considered in determining a bona fide mortgage other than an institu-
48 tional mortgage shall include; condition of the property, location of
49 the property, the existing mortgage market at the time the mortgage is
50 placed, the term of the mortgage, the amortization rate, the principal
51 amount of the mortgage, security and other terms and conditions of the
52 mortgage. The commissioner shall set a rental value for any unit occu-
53 pied by the owner or a person related to the owner or unoccupied at the
54 owner's choice for more than one month at the last regulated rent plus
55 the minimum number of guidelines increases or, if no such regulated rent
56 existed or is known, the commissioner shall impute a rent consistent

1 with other rents in the building. The amount of hardship increase shall
2 be such as may be required to maintain the annual gross rent income as
3 provided by this paragraph. The division shall not grant a hardship
4 application under this paragraph or paragraph four of this subdivision
5 for a period of three years subsequent to granting a hardship applica-
6 tion under the provisions of this paragraph. The collection of any
7 increase in the rent for any housing accommodation pursuant to this
8 paragraph shall not exceed six percent in any year from the effective
9 date of the order granting the increase over the rent set forth in the
10 schedule of gross rents, with collectability of any dollar excess above
11 said sum to be spread forward in similar increments and added to the
12 rent as established or set in future years. No application shall be
13 approved unless the owner's equity in such building exceeds five percent
14 of: (i) the arms length purchase price of the property; (ii) the cost of
15 any capital improvements for which the owner has not collected a
16 surcharge; (iii) any repayment of principal of any mortgage or loan used
17 to finance the purchase of the property or any capital improvements for
18 which the owner has not collected a surcharge; and (iv) any increase in
19 the equalized assessed value of the property which occurred subsequent
20 to the first valuation of the property after purchase by the owner. For
21 the purposes of this paragraph, owner's equity shall mean the sum of (i)
22 the purchase price of the property less the principal of any mortgage or
23 loan used to finance the purchase of the property, (ii) the cost of any
24 capital improvement for which the owner has not collected a surcharge
25 less the principal of any mortgage or loan used to finance said improve-
26 ment, (iii) any repayment of the principal of any mortgage or loan used
27 to finance the purchase of the property or any capital improvement for
28 which the owner has not collected a surcharge, and (iv) any increase in
29 the equalized assessed value of the property which occurred subsequent
30 to the first valuation of the property after purchase by the owner[.];
31 or

32 (6) provides that, notwithstanding any other provision of this chapter
33 to the contrary, when a housing accommodation subject to this chapter
34 has been vacated after continuous tenancy or occupancy of ten years or
35 more prior to vacancy, and the owner has submitted documentation to the
36 division demonstrating restoration of the unit as set forth in subdivi-
37 sion (a-1) of section ten of this chapter, the new legal regulated rent
38 shall be the rent agreed to by the owner and first tenant after such
39 restoration and reserved in a lease or other rental agreement; provided
40 that such new legal regulated rent may be adjusted on audit by the divi-
41 sion under subdivision (a-1) of section ten of this section, or on
42 application of a tenant under subdivision d-1 of section nine of this
43 chapter. The legal regulated rent adjustment set forth in this paragraph
44 shall be known as the local regulated housing restoration adjustment.

45 § 5. Section 10 of section 4 of chapter 576 of the laws of 1974,
46 constituting the emergency tenant protection act of nineteen seventy-
47 four is amended by adding a new subdivision (a-1) to read as follows:

48 (a-1) the division of housing and community renewal shall establish a
49 notification procedure and documentation submission guidelines for the
50 local regulated housing restoration adjustment. a. Documentation to
51 qualify for the local regulated housing restoration adjustment shall be
52 limited to:

53 (1) XRF test results demonstrating a lead-free housing accommodation
54 under applicable local definitions;

55 (2) any required tenant protection plans or similar submission in
56 connection with such restoration;

1 (3) any required contractor licenses;
2 (4) list and specifications of new electric appliances installed;
3 (5) before and after photos;
4 (6) lease or rental agreement listing new legal regulated rent; and
5 (7) legal regulated rent amount or amounts for substantially similar
6 unit or units as defined by section 26-513.1 of the administrative code
7 of the city of New York.

8 b. The local regulated housing restoration adjustment shall not be
9 permitted:

10 (1) for units that are rented within a twenty-four-month period after
11 an arm's length transfer of ownership;

12 (2) for units that are rented within a thirty-six-month period after
13 determination by the division that the owner has engaged in unlawful
14 harassment with respect to the unit; or

15 (3) after an eviction, unless the eviction was pursuant to order,
16 judgment, or other decree by court or governmental or legal authority
17 for reasons including nonpayment of rent, expiration or termination of
18 the lease term or license or other occupancy right, violation of a
19 substantial obligation of the tenancy, or any other grounds permitted
20 under this chapter.

21 c. The division of housing and community renewal shall establish an
22 audit process to review a percentage, as established by the division, of
23 housing accommodations that register adjusted legal regulated rents
24 under the local regulated housing restoration adjustment. The divi-
25 sion's established audit process shall be subject to the following
26 requirements:

27 (1) any audit shall be limited subdivision to: (i) confirmation that
28 documentation set forth in paragraph a of this subdivision has been
29 submitted, (ii) visual inspection of the subject unit, and (iii) review
30 of the unit's registered rent in comparison to the legal regulated rents
31 of substantially similar housing accommodations in the same geographic
32 area considering the same factors set forth in subdivision d-1 of
33 section nine of this chapter, including the owner's right to submit the
34 legal regulated rent of a substantially similar unit or units. Such
35 audit shall be initiated within one year of the filing of an annual
36 apartment registration indicating an adjustment to the legal regulated
37 rent under the local regulated housing restoration adjustment;

38 (2) if an audit under this subdivision determines that an owner has
39 failed to submit documentation set forth in paragraph a of this subdivi-
40 sion and the owner then fails to submit any missing documentation after
41 sixty days' written notice from the division, the division may then set
42 the subject unit's legal regulated rent based upon an evaluation of
43 documentation provided but in no event shall the legal regulated rent be
44 set at an amount less than HUD fair market value for the statistical
45 metropolitan area or the small area fair market rent as determined by
46 the local housing authority provided that applicable housing quality
47 standards have been confirmed by inspection as set forth above;

48 (3) if an audit under this subdivision determines that the owner
49 submitted documentation set forth in paragraph a of this subdivision but
50 that the registered rent exceeds the legal regulated rent of a substan-
51 tially similar housing accommodation in the same geographic area, then
52 the division may set the legal regulated rent at the greater of the
53 legal regulated rent for a substantially similar housing accommodation
54 in the same geographic area or the HUD fair market value for the statis-
55 tical metropolitan area or the small area fair market rent as determined

1 by the local housing authority. Any required refunds shall be made in
2 accordance with subdivision d-1 of section nine of this chapter; and

3 d. Access to the documentation submitted as part of the local regu-
4 lated housing restoration adjustment shall be governed by the same laws
5 governing access to building and apartment registrations filed with the
6 division.

7 § 6. Section 9 of section 4 of chapter 576 of the laws of 1974,
8 constituting the emergency tenant protection act of nineteen seventy-
9 four is amended by adding a new subdivision d-1 to read as follows:

10 d-1. (1) The tenant of a housing accommodation that was vacant on, or
11 became vacant after, June 14, 2019, and has been subject to the local
12 regulated housing restoration adjustment, may file with the commissioner
13 within 120 days after notice has been received under paragraph three of
14 this subdivision an application for the adjustment of the rent for such
15 housing accommodation. Such applications shall be subject to the
16 following:

17 (i) in the application, the tenant must allege that the local regu-
18 lated housing restoration adjustment rent exceeds the rent for a
19 substantially similar unit within the same geographic area;

20 (ii) in determining an application filed pursuant to this section, the
21 commissioner of housing and community renewal shall only consider legal
22 regulated rents for substantially similar regulated housing accommo-
23 dations within a one-mile radius of the subject unit in the same borough
24 or applicable municipal subdivision. Substantially similar housing
25 accommodations are those rent-stabilized units with similar room counts
26 and square footage, similar levels of code compliance, including state
27 laws, local laws and codes for health, safety, and environmental
28 sustainability, similar regulatory status, similar apartment conditions
29 and quality of fixtures and finishes, similar unit and building amen-
30 ities, similar quality and condition of the building and common areas,
31 and with vacancy or renewal leases starting within twelve months from
32 the start date of the complaining tenant's vacancy lease. For purposes
33 of considering legal regulated rents of similar housing accommodations,
34 the geographic area may be expanded by increments of one-quarter mile
35 radii as many times as necessary to find a substantially similar housing
36 accommodation located in the same borough or applicable municipal subdi-
37 vision. Notwithstanding the foregoing, any local regulated housing
38 restoration adjustment rent amount that does not exceed the HUD fair
39 market value for the statistical metropolitan area or the small area
40 fair market rent as determined by the local housing authority shall be
41 presumed to be fair;

42 (iii) the owner of the housing accommodation subject to an application
43 under this section shall be given an opportunity to submit proof of
44 legal regulated rents for up to three substantially similar housing
45 accommodations, in addition to any already submitted as part of the
46 notification procedure under paragraph three of this subdivision; and

47 (iv) when the local regulated housing restoration adjustment rent
48 amount is determined to exceed the legal regulated rent for a substan-
49 tially similar housing accommodation as defined by this section, the
50 commissioner of housing and community renewal shall order that the legal
51 regulated rent for the subject unit shall be the greater of the legal
52 regulated rent for a substantially similar housing accommodation in the
53 same geographic area or the HUD fair market value for the statistical
54 metropolitan area or the small area fair market rent as determined by
55 the local housing authority. Any required refunds shall be made by the

1 owner in cash or as a credit against unpaid rent over a period not to
2 exceed of six months.

3 (2) Notwithstanding paragraph a of this subdivision, provided that the
4 owner has submitted to the division documentation in accordance with
5 subdivision (a-1) of section ten of this chapter, the division shall
6 only determine whether the rent charged to the first tenant after the
7 local regulated housing restoration adjustment is supported by a compa-
8 rable legal regulated rent for a substantially similar regulated unit.
9 Any documentation deficiencies shall be resolved through the audit proc-
10 ess set forth in subdivision (a-1) of section ten of this chapter.

11 (3) In the lease execution package for the first lease after the legal
12 rent was adjusted under the local regulated housing restoration adjust-
13 ment, the owner shall give notice, both in the lease and subsequently in
14 writing by certified mail, or by electronic delivery if the tenant has
15 opted to receive electronic delivery of documents, to the tenant of such
16 housing accommodation on a form prescribed by the commissioner of hous-
17 ing and community renewal that the local regulated housing restoration
18 adjustment was applied, including notification of the prior legal regu-
19 lated rent, a description of work completed, the building address and
20 legal regulated rent amounts for at least one and up to three substan-
21 tially similar units, and such tenant's right to file an application for
22 adjustment of the new legal regulated rent of such housing accommo-
23 dation.

24 § 7. This act shall take effect immediately; and provided that the
25 amendments to chapter 4 of title 26 of the administrative code of the
26 city of New York made by sections one, two and three of this act shall
27 expire on the same date as such law expires and shall not affect the
28 expiration of such law as provided under section 26-520 of such law.