

# STATE OF NEW YORK

1656

2025-2026 Regular Sessions

## IN SENATE

January 13, 2025

Introduced by Sens. BAILEY, SEPULVEDA -- 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, the  
emergency tenant protection act of nineteen seventy-four and the emer-  
gency housing rent control law, in relation to approving major capital  
improvement rent increases and extending the length of time over which  
major capital improvement expenses may be recovered

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

1 Section 1. Subparagraph (g) of paragraph 1 of subdivision g of section  
2 26-405 of the administrative code of the city of New York, as amended by  
3 section 27 of part Q of chapter 39 of the laws of 2019, is amended to  
4 read as follows:

5 (g) (i) Collection of surcharges to the maximum rent authorized pursu-  
6 ant to item (ii) of this subparagraph shall cease when the owner has  
7 recovered the cost of the major capital improvement;

8 (ii) There has been since July first, nineteen hundred seventy, a  
9 major capital improvement [~~essential for the preservation energy effi-~~  
10 ~~ciency, functionality, or infrastructure of the entire building,~~  
11 ~~improvement of the structure including heating, windows, plumbing and~~  
12 ~~roofing but shall not be for operational costs or unnecessary cosmetic~~  
13 ~~improvements. The temporary increase based upon a major capital improve-~~  
14 ~~ment under this subparagraph for any order of the commissioner issued~~  
15 ~~after the effective date of the chapter of the laws of two thousand~~  
16 ~~nineteen that amended this subparagraph shall be in an amount sufficient~~  
17 ~~to amortize the cost of the improvements pursuant to this subparagraph~~  
18 ~~(g) over a twelve year period for buildings with thirty five or fewer~~  
19 ~~units or a twelve and one half year period for buildings with more than~~  
20 ~~thirty-five units, and shall be removed from the legal regulated rent~~  
21 ~~thirty years from the date the increase became effective inclusive of~~

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

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~~any increases granted by the applicable rent guidelines board. Temporary major capital improvement increases shall be collectible prospectively on the first day of the first month beginning sixty days from the date of mailing notice of approval to the tenant. Such notice shall disclose the total monthly increase in rent and the first month in which the tenant would be required to pay the temporary increase. An approval for a temporary major capital improvement increase shall not include retroactive payments. The collection of any increase shall not exceed two 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 rent as established or set in future years. Upon vacancy, the landlord may add any remaining balance of the temporary major capital improvement increase to the legal regulated rent. Notwithstanding any other provision of the law, for any renewal lease commencing on or after June 14, 2019, the collection of any rent increases due to any major capital improvements approved on or after June 16, 2012 and before June 16, 2019 shall not exceed two percent in any year for any tenant in occupancy on the date the major capital improvement was approved,];~~ provided that the commissioner first finds that such improvements are deemed depreciable under the internal revenue code and such improvements are required for the operation or preservation of the structure. However, no major capital improvement rent increase will be approved by the division of housing and community renewal unless the work performed is an enhancement or upgrade to a housing accommodation or service therein; or is an addition to such housing accommodation and otherwise eligible according to the prerequisites for major capital improvement rent increases. Any repair or replacement intended to maintain an existing service shall not be eligible for a major capital improvement rent increase. No application for a major capital improvement rent increase may be approved if there exist any outstanding hazardous violations at the time of the consideration of such application, as determined pursuant to regulations of the division of housing and community renewal or any agency administering and enforcing a building code in the jurisdiction in which the property is located, unless it is determined by the division of housing and community renewal that such work is essential to the alleviation of the violations and such approval is consistent with the provisions of this section. Except in the case of emergency or good cause, the owner of the property shall file, not less than thirty days before the commencement of the improvement, with the division of housing and community renewal a statement containing information outlining the scope of work, expected date of completion for such work and an affidavit setting forth the following information: (a) every owner of record and owner of a substantial interest in the property or entity owning the property or sponsoring the improvement; and (b) a statement that none of such persons had, within the five years prior to the improvement, been found to have harassed or unlawfully evicted tenants by judgment or determination of a court or agency under the penal law, any state or local law regulating rents or any state or local law relating to harassment of tenants or unlawful eviction. Upon receipt of the scope of work and affidavit provided for herein, the division of housing and community renewal shall provide the tenants in occupancy in such buildings with such information. The division of housing and community renewal shall, in addition, implement procedures including, but not limited to, eliciting tenant comments to determine whether major capital improvement rehabilitation

1 work has been satisfactorily completed. No major capital improvement  
2 rent increase shall become effective until any defective or deficient  
3 rehabilitation work has been cured. The increase permitted for such  
4 capital improvement shall be collected as a monthly surcharge to the  
5 maximum rent. It shall be separately designated and billed as such and  
6 shall not be compounded by any other adjustment to the maximum rent. The  
7 surcharge allocable to each apartment shall be an amount equal to the  
8 cost of the improvement divided by eighty-four, divided by the number of  
9 rooms in the building, and then multiplied by the number of rooms in  
10 such apartment; provided that the surcharge allocable to any apartment  
11 in any one year may not exceed an amount equal to six percent of the  
12 monthly rent collected by the owner for such apartment as set forth in  
13 the schedule of gross rents. Any excess above said six percent shall be  
14 carried forward and collected in future years as a further surcharge not  
15 to exceed an additional six percent in any one year period until the  
16 total surcharge equals the amount it would have been if the aforemen-  
17 tioned six percent limitation did not apply; or

18 § 2. Subparagraph (k) of paragraph 1 of subdivision g of section  
19 26-405 of the administrative code of the city of New York, as amended by  
20 chapter 749 of the laws of 1990, is amended to read as follows:

21 (k) The landlord has incurred, since January first, nineteen hundred  
22 seventy, in connection with and in addition to a concurrent major capi-  
23 tal improvement pursuant to subparagraph (g) of this paragraph, other  
24 expenditures to improve, restore or preserve the quality of the struc-  
25 ture. An adjustment under this subparagraph shall be granted only if  
26 such improvements represent an expenditure equal to at least ten per  
27 centum of the total operating and maintenance expenses for the preceding  
28 year. An adjustment under this subparagraph shall be in addition to any  
29 adjustment granted for the concurrent major capital improvement and  
30 shall be [~~in an amount sufficient to amortize the cost of the improve-~~  
31 ~~ments pursuant to this subparagraph over a seven-year period~~] imple-  
32 mented in the same manner as such major capital improvement as a further  
33 surcharge to the maximum rent.

34 § 3. Paragraph 6 of subdivision c of section 26-511 of the administra-  
35 tive code of the city of New York, as separately amended by section 12  
36 of part K of chapter 36 and section 28 of part Q of chapter 39 of the  
37 laws of 2019, is amended to read as follows:

38 (6) provides criteria whereby the commissioner may act upon applica-  
39 tions by owners for increases in excess of the level of fair rent  
40 increase established under this law provided, however, that such crite-  
41 ria shall provide [~~(a) as~~] in regard to hardship applications, for a  
42 finding that the level of fair rent increase is not sufficient to enable  
43 the owner to maintain approximately the same average annual net income  
44 (which shall be computed without regard to debt service, financing costs  
45 or management fees) for the three year period ending on or within six  
46 months of the date of an application pursuant to such criteria as  
47 compared with annual net income, which prevailed on the average over the  
48 period nineteen hundred sixty-eight through nineteen hundred seventy, or  
49 for the first three years of operation if the building was completed  
50 since nineteen hundred sixty-eight or for the first three fiscal years  
51 after a transfer of title to a new owner provided the new owner can  
52 establish to the satisfaction of the commissioner that [~~he or she~~] they  
53 acquired title to the building as a result of a bona fide sale of the  
54 entire building and that the new owner is unable to obtain requisite  
55 records for the fiscal years nineteen hundred sixty-eight through nine-  
56 teen hundred seventy despite diligent efforts to obtain same from prede-

1 cessors in title and further provided that the new owner can provide  
2 financial data covering a minimum of six years under [~~his or her~~ **their**  
3 continuous and uninterrupted operation of the building to meet the three  
4 year to three year comparative test periods herein provided[~~, and (b) as~~  
5 ~~to completed building-wide major capital improvements, for a finding~~  
6 ~~that such improvements are deemed depreciable under the Internal Revenue~~  
7 ~~Code and that the cost is to be amortized over a twelve-year period for~~  
8 ~~a building with thirty-five or fewer housing accommodations, or a twelve~~  
9 ~~and one-half-year period for a building with more than thirty-five hous-~~  
10 ~~ing accommodations, for any determination issued by the division of~~  
11 ~~housing and community renewal after the effective date of the the chap-~~  
12 ~~ter of the laws of two thousand nineteen that amended this paragraph and~~  
13 ~~shall be removed from the legal regulated rent thirty years from the~~  
14 ~~date the increase became effective inclusive of any increases granted by~~  
15 ~~the applicable rent guidelines board. Temporary major capital improve-~~  
16 ~~ment increases shall be collectible prospectively on the first day of~~  
17 ~~the first month beginning sixty days from the date of mailing notice of~~  
18 ~~approval to the tenant. Such notice shall disclose the total monthly~~  
19 ~~increase in rent and the first month in which the tenant would be~~  
20 ~~required to pay the temporary increase. An approval for a temporary~~  
21 ~~major capital improvement increase shall not include retroactive~~  
22 ~~payments. The collection of any increase shall not exceed two percent in~~  
23 ~~any year from the effective date of the order granting the increase over~~  
24 ~~the rent set forth in the schedule of gross rents, with collectability~~  
25 ~~of any dollar excess above said sum to be spread forward in similar~~  
26 ~~increments and added to the rent as established or set in future years.~~  
27 ~~Upon vacancy, the landlord may add any remaining balance of the tempo-~~  
28 ~~rary major capital improvement increase to the legal regulated rent.~~  
29 ~~Notwithstanding any other provision of the law, for any renewal lease~~  
30 ~~commencing on or after June 14, 2019, the collection of any rent~~  
31 ~~increases due to any major capital improvements approved on or after~~  
32 ~~June 16, 2012 and before June 16, 2019 shall not exceed two percent in~~  
33 ~~any year for any tenant in occupancy on the date the major capital~~  
34 ~~improvement was approved or based upon cash purchase price exclusive of~~  
35 ~~interest or service charges. Where an application for a temporary major~~  
36 ~~capital improvement increase has been filed, a tenant shall have sixty~~  
37 ~~days from the date of mailing of a notice of a proceeding in which to~~  
38 ~~answer or reply. The state division of housing and community renewal~~  
39 ~~shall provide any responding tenant with the reasons for the division's~~  
40 ~~approval or denial of such application]. Notwithstanding anything to the~~  
41 contrary contained herein, no hardship increase granted pursuant to this  
42 paragraph shall, when added to the annual gross rents, as determined by  
43 the commissioner, exceed the sum of, (i) the annual operating expenses,  
44 (ii) an allowance for management services as determined by the commis-  
45 sioner, (iii) actual annual mortgage debt service (interest and amorti-  
46 zation) on its indebtedness to a lending institution, an insurance  
47 company, a retirement fund or welfare fund which is operated under the  
48 supervision of the banking or insurance laws of the state of New York or  
49 the United States, and (iv) eight and one-half percent of that portion  
50 of the fair market value of the property which exceeds the unpaid prin-  
51 cipal amount of the mortgage indebtedness referred to in subparagraph  
52 (iii) of this paragraph. Fair market value for the purposes of this  
53 paragraph shall be six times the annual gross rent. The collection of  
54 any increase in the stabilized rent for any apartment pursuant to this  
55 paragraph shall not exceed six percent in any year from the effective  
56 date of the order granting the increase over the rent set forth in the

1 schedule of gross rents, with collectability of any dollar excess above  
2 said sum to be spread forward in similar increments and added to the  
3 stabilized rent as established or set in future years;

4 § 4. Subdivision c of section 26-511 of the administrative code of the  
5 city of New York is amended by adding three new paragraphs 6-b, 6-c and  
6 6-d to read as follows:

7 (6-b) provides criteria whereby the commissioner may act upon applica-  
8 tion by owners for increases in excess of the level of fair rent  
9 increase established under this law provided, however, that such crite-  
10 ria shall provide that:

11 (i) as to completed building-wide major capital improvements, first,  
12 that a finding that such improvements are deemed depreciable under the  
13 internal revenue code and such improvements are required for the opera-  
14 tion or preservation of the structure;

15 (ii) however, no major capital improvement rent increase will be  
16 approved by the division of housing and community renewal unless the  
17 work performed is an enhancement or upgrade to a housing accommodation  
18 or service therein; or is an addition to such housing accommodation and  
19 otherwise eligible according to the prerequisites for major capital  
20 improvement rent increases. Any repair or replacement intended to main-  
21 tain an existing service shall not be eligible for a major capital  
22 improvement rent increase;

23 (iii) no application for a major capital improvement rent increase may  
24 be approved if there exist any outstanding hazardous violations at the  
25 time of the consideration of such application, as determined pursuant to  
26 regulations of the division of housing and community renewal or any  
27 agency administering and enforcing a building code in the jurisdiction  
28 in which the property is located, unless it is determined by the divi-  
29 sion of housing and community renewal that such work is essential to the  
30 alleviation of the violations and such approval is consistent with the  
31 provisions of this section. Except in the case of emergency or good  
32 cause, the owner of the property shall file, not less than thirty days  
33 before the commencement of the improvement, with the division of housing  
34 and community renewal a statement containing information outlining the  
35 scope of work, expected date of completion for such work and an affida-  
36 vit setting forth the following information:

37 (A) every owner of record and owner of a substantial interest in the  
38 property or entity owning the property or sponsoring the improvement;  
39 and

40 (B) a statement that none of such persons had, within the five years  
41 prior to the improvement, been found to have harassed or unlawfully  
42 evicted tenants by judgment or determination of a court or agency under  
43 the penal law, any state or local law regulating rents or any state or  
44 local law relating to harassment of tenants or unlawful eviction.

45 Upon receipt of the scope of work and affidavit provided for herein,  
46 the division of housing and community renewal shall provide the tenants  
47 in occupancy in such buildings with such information. The division of  
48 housing and community renewal shall, in addition, implement procedures  
49 including, but not limited to, eliciting tenant comments to determine  
50 whether major capital improvement rehabilitation work has been satisfac-  
51 torily completed. No major capital improvement rent increase shall  
52 become effective until any defective or deficient rehabilitation work  
53 has been cured.

54 (6-c) the increase permitted for such capital improvement shall be  
55 collected as a monthly surcharge to the legal regulated rent. It shall  
56 be separately designated and billed as such and shall not be compounded

1 by any annual adjustment of the level of fair rent provided for under  
2 subdivision b of section 26-510 of this chapter. The surcharge allocable  
3 to each apartment shall be an amount equal to the cost of the improve-  
4 ment divided by eighty-four divided by the number of rooms in the build-  
5 ing, and then multiplied by the number of rooms in such apartment;  
6 provided that the surcharge allocable to any apartment, in any one year  
7 may not exceed an amount equal to six percent of the monthly rent  
8 collected by the owner for such apartment as set forth in the schedule  
9 of gross rents. Any excess above said six percent shall be carried  
10 forward and collected in future years as a further surcharge not to  
11 exceed an additional six percent in any one year period until the total  
12 surcharge equals the amount it would have been if the aforementioned six  
13 percent limitation did not apply.

14 (6-d) collection of surcharges in excess of the level of fair rent  
15 authorized pursuant to paragraphs six-b and six-c of this subdivision  
16 shall cease when the owner has recovered the cost of the major capital  
17 improvement.

18 § 5. Paragraph 3 of subdivision d of section 6 of section 4 of chapter  
19 576 of the laws of 1974, constituting the emergency tenant protection  
20 act of nineteen seventy-four, as amended by section 26 of part Q of  
21 chapter 39 of the laws of 2019, is amended to read as follows:

22 (3) (i) collection of surcharges in addition to the legal regulated  
23 rent authorized pursuant to subparagraph (ii) of this paragraph shall  
24 cease when the owner has recovered the cost of the major capital  
25 improvement;

26 (ii) there has been since January first, nineteen hundred seventy-four  
27 a major capital improvement [essential for the preservation, energy  
28 efficiency, functionality, or infrastructure of the entire building,  
29 improvement of the structure including heating, windows, plumbing and  
30 roofing, but shall not be for operation costs or unnecessary cosmetic  
31 improvements. An adjustment under this paragraph shall be in an amount  
32 sufficient to amortize the cost of the improvements pursuant to this  
33 paragraph over a twelve year period for a building with thirty five or  
34 fewer housing accommodations, or a twelve and one-half period for a  
35 building with more than thirty-five housing accommodations and shall be  
36 removed from the legal regulated rent thirty years from the date the  
37 increase became effective inclusive of any increases granted by the  
38 applicable rent guidelines board, for any determination issued by the  
39 division of housing and community renewal after the effective date of  
40 the chapter of the laws of two thousand nineteen that amended this para-  
41 graph. Temporary major capital improvement increases shall be collecta-  
42 ble prospectively on the first day of the first month beginning sixty  
43 days from the date of mailing notice of approval to the tenant. Such  
44 notice shall disclose the total monthly increase in rent and the first  
45 month in which the tenant would be required to pay the temporary  
46 increase. An approval for a temporary major capital improvement increase  
47 shall not include retroactive payments. The collection of any increase  
48 shall not exceed two percent in any year from the effective date of the  
49 order granting the increase over the rent set forth in the schedule of  
50 gross rents, with collectability of any dollar excess above said sum to  
51 be spread forward in similar increments and added to the rent as estab-  
52 lished or set in future years. Upon vacancy, the landlord may add any  
53 remaining balance of the temporary major capital improvement increase to  
54 the legal regulated rent. Notwithstanding any other provision of the  
55 law, the collection of any rent increases for any renewal lease commenc-  
56 ing on or after June 14, 2019, due to any major capital improvements

1 ~~approved on or after June 16, 2012 and before June 16, 2019 shall not~~  
2 ~~exceed two percent in any year for any tenant in occupancy on the date~~  
3 ~~the major capital improvement was approved];~~ provided that the commis-  
4 sioner first finds that such improvements are deemed depreciable under  
5 the internal revenue code and such improvements are required for the  
6 operation or preservation of the structure. However, no major capital  
7 improvement rent increase will be approved by the division of housing  
8 and community renewal unless the work performed is an enhancement or  
9 upgrade to a housing accommodation or service therein; or is an addition  
10 to such housing accommodation and otherwise eligible according to the  
11 prerequisites for major capital improvement rent increases. Any repair  
12 or replacement intended to maintain an existing service shall not be  
13 eligible for a major capital improvement rent increase. No application  
14 for a major capital improvement rent increase may be approved if there  
15 exist any outstanding hazardous violations at the time of the consider-  
16 ation of such application, as determined pursuant to regulations of the  
17 division of housing and community renewal or any agency administering  
18 and enforcing a building code in the jurisdiction in which the property  
19 is located, unless it is determined by the division of housing and  
20 community renewal that such work is essential to the alleviation of the  
21 violations and such approval is consistent with the provisions of this  
22 section. Except in the case of emergency or good cause, the owner of the  
23 property shall file, not less than thirty days before the commencement  
24 of the improvement, with the division of housing and community renewal a  
25 statement containing information outlining the scope of work, expected  
26 date of completion for such work and an affidavit setting forth the  
27 following information: (a) every owner of record and owner of a substan-  
28 tial interest in the property or entity owning the property or sponsor-  
29 ing the improvement; and (b) a statement that none of such persons had,  
30 within the five years prior to the improvement, been found to have  
31 harassed or unlawfully evicted tenants by judgment or determination of a  
32 court or agency under the penal law, any state or local law regulating  
33 rents or any state or local law relating to harassment of tenants or  
34 unlawful eviction. Upon receipt of the scope of work and affidavit  
35 provided for herein, the division of housing and community renewal shall  
36 provide the tenants in occupancy in such buildings with such informa-  
37 tion. The division of housing and community renewal shall, in addition,  
38 implement procedures including, but not limited to, eliciting tenant  
39 comments to determine whether major capital improvement rehabilitation  
40 work has been satisfactorily completed. No major capital improvement  
41 rent increase shall become effective until any defective or deficient  
42 rehabilitation work has been cured. The increase permitted for such  
43 capital improvement shall be collected as a monthly surcharge to the  
44 legal regulated rent. It shall be separately designated and billed as  
45 such and shall not be compounded by any annual rent adjustment author-  
46 ized by the rent guidelines board under this act. The surcharge allocable  
47 to each apartment shall be an amount equal to the cost of the  
48 improvement divided by eighty-four, divided by the number of rooms in  
49 the building, and then multiplied by the number of rooms in such apart-  
50 ment; provided that the surcharge allocable to any apartment in any one  
51 year may not exceed an amount equal to six percent of the monthly rent  
52 collected by the owner for such apartment as set forth in the schedule  
53 of gross rents. Any excess above said six percent shall be carried  
54 forward and collected in future years as a further surcharge not to  
55 exceed an additional six percent in any one year period until the total

1 surcharge equals the amount it would have been if the aforementioned six  
2 percent limitation did not apply, or

3 § 6. The second undesignated paragraph of paragraph (a) of subdivision  
4 4 of section 4 of chapter 274 of the laws of 1946, constituting the  
5 emergency housing rent control law, as amended by section 25 of part B  
6 of chapter 97 of the laws of 2011, subparagraph 5 as amended by section  
7 7 of part FF of chapter 56 of the laws of 2024, subparagraph 7 as sepa-  
8 rately amended by section 25 of part Q of chapter 39 and section 14 of  
9 part K of chapter 36 of the laws of 2019 and subparagraph 8 as amended  
10 by section 8 of part K of chapter 36 of the laws of 2019, is amended to  
11 read as follows:

12 No application for adjustment of maximum rent based upon a sales price  
13 valuation shall be filed by the landlord under this subparagraph prior  
14 to six months from the date of such sale of the property. In addition,  
15 no adjustment ordered by the commission based upon such sales price  
16 valuation shall be effective prior to one year from the date of such  
17 sale. Where, however, the assessed valuation of the land exceeds four  
18 times the assessed valuation of the buildings thereon, the commission  
19 may determine a valuation of the property equal to five times the equal-  
20 ized assessed valuation of the buildings, for the purposes of this  
21 subparagraph. The commission may make a determination that the valuation  
22 of the property is an amount different from such equalized assessed  
23 valuation where there is a request for a reduction in such assessed  
24 valuation currently pending; or where there has been a reduction in the  
25 assessed valuation for the year next preceding the effective date of the  
26 current assessed valuation in effect at the time of the filing of the  
27 application. Net annual return shall be the amount by which the earned  
28 income exceeds the operating expenses of the property, excluding mort-  
29 gage interest and amortization, and excluding allowances for obsoles-  
30 cence and reserves, but including an allowance for depreciation of two  
31 per centum of the value of the buildings exclusive of the land, or the  
32 amount shown for depreciation of the buildings in the latest required  
33 federal income tax return, whichever is lower; provided, however, that  
34 (1) no allowance for depreciation of the buildings shall be included  
35 where the buildings have been fully depreciated for federal income tax  
36 purposes or on the books of the owner; or (2) the landlord who owns no  
37 more than four rental units within the state has not been fully compen-  
38 sated by increases in rental income sufficient to offset unavoidable  
39 increases in property taxes, fuel, utilities, insurance and repairs and  
40 maintenance, excluding mortgage interest and amortization, and excluding  
41 allowances for depreciation, obsolescence and reserves, which have  
42 occurred since the federal date determining the maximum rent or the date  
43 the property was acquired by the present owner, whichever is later; or  
44 (3) the landlord operates a hotel or rooming house or owns a cooperative  
45 apartment and has not been fully compensated by increases in rental  
46 income from the controlled housing accommodations sufficient to offset  
47 unavoidable increases in property taxes and other costs as are allocable  
48 to such controlled housing accommodations, including costs of operation  
49 of such hotel or rooming house, but excluding mortgage interest and  
50 amortization, and excluding allowances for depreciation, obsolescence  
51 and reserves, which have occurred since the federal date determining the  
52 maximum rent or the date the landlord commenced the operation of the  
53 property, whichever is later; or (4) the landlord and tenant voluntarily  
54 enter into a valid written lease in good faith with respect to any hous-  
55 ing accommodation, which lease provides for an increase in the maximum  
56 rent not in excess of fifteen per centum and for a term of not less than

1 two years, except that where such lease provides for an increase in  
2 excess of fifteen per centum, the increase shall be automatically  
3 reduced to fifteen per centum; or (5) the landlord and tenant by mutual  
4 voluntary written informed agreement agree to a substantial increase or  
5 decrease in dwelling space, furniture, furnishings or equipment provided  
6 in the housing accommodations; provided that an owner shall be entitled  
7 to a rent increase where there has been a substantial modification or  
8 increase of dwelling space, or installation of new equipment or improve-  
9 ments or new furniture or furnishings provided in or to a tenant's hous-  
10 ing accommodation. The increase in the maximum rent for the affected  
11 housing accommodation shall be one-one hundred sixty-eighth, in the case  
12 of a building with thirty-five or fewer housing accommodations, or one-  
13 one hundred eightieth, in the case of a building with more than thirty-  
14 five housing accommodations where such increase takes effect on or after  
15 the effective date of the chapter of the laws of two thousand nineteen  
16 that amended this subparagraph, of the total actual cost incurred by the  
17 landlord up to thirty thousand dollars in providing such reasonable and  
18 verifiable modification or increase in dwelling space, furniture,  
19 furnishings, or equipment, including the cost of installation but  
20 excluding finance charges and any costs that exceed reasonable costs  
21 established by rules and regulations promulgated by the division of  
22 housing and community renewal. Such rules and regulations shall include:  
23 (i) requirements for work to be done by licensed contractors and a  
24 prohibition on common ownership between the landlord and the contractor  
25 or vendor; and (ii) a requirement that the owner resolve within the  
26 dwelling space all outstanding hazardous or immediately hazardous  
27 violations of the uniform fire prevention and building code (Uniform  
28 Code), New York city fire code, or New York city building and housing  
29 maintenance codes, if applicable. Provided further that an owner who is  
30 entitled to a rent increase pursuant to this clause shall not be enti-  
31 tled to a further rent increase based upon the installation of similar  
32 equipment, or new furniture or furnishings within the useful life of  
33 such new equipment, or new furniture or furnishings. Provided further  
34 that the recoverable costs incurred by the landlord, pursuant to this  
35 subparagraph, shall be limited to an aggregate cost of thirty thousand  
36 dollars in a fifteen year period beginning with the first individual  
37 apartment improvement on or after June fourteenth, two thousand nine-  
38 teen. The owner shall give written notice to the commission of any such  
39 adjustment pursuant to this clause; or (6) there has been, since March  
40 first, nineteen hundred fifty, an increase in the rental value of the  
41 housing accommodations as a result of a substantial rehabilitation of  
42 the building or housing accommodation therein which materially adds to  
43 the value of the property or appreciably prolongs its life, excluding  
44 ordinary repairs, maintenance and replacements; or (7) (i) collection of  
45 surcharges to the maximum rent authorized pursuant to item (ii) of this  
46 clause shall cease when the owner has recovered the cost of the major  
47 capital improvement; (ii) there has been since March first, nineteen  
48 hundred fifty, a major capital improvement [~~essential for the preserva-~~  
49 ~~tion, energy efficiency, functionality, or infrastructure of the entire~~  
50 ~~building, improvement of the structure including heating, windows,~~  
51 ~~plumbing and roofing, but shall not be for operational costs or unneces-~~  
52 ~~sary cosmetic improvements, which for any order of the commissioner~~  
53 ~~issued after the effective date of the chapter of the laws of two thou-~~  
54 ~~sand nineteen that amended this paragraph the cost of such improvement~~  
55 ~~shall be amortized over a twelve-year period for buildings with thirty-~~  
56 ~~five or fewer units or a twelve and one-half year period for buildings~~

~~with more than thirty five units, and shall be removed from the legal regulated rent thirty years from the date the increase became effective inclusive of any increases granted by the applicable rent guidelines board. Temporary major capital improvement increases shall be collectible prospectively on the first day of the first month beginning sixty days from the date of mailing notice of approval to the tenant. Such notice shall disclose the total monthly increase in rent and the first month in which the tenant would be required to pay the temporary increase. An approval for a temporary major capital improvement increase shall not include retroactive payments. The collection of any increase shall not exceed two 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 rent as established or set in future years. Upon vacancy, the landlord may add any remaining balance of the temporary major capital improvement increase to the legal regulated rent. Notwithstanding any other provision of the law, for any renewal lease commencing on or after June 14, 2019, the collection of any rent increases due to any major capital improvements approved on or after June 16, 2012 and before June 16, 2019 shall not exceed two percent in any year for any tenant in occupancy on the date the major capital improvement was approved; provided, however, where an application for a temporary major capital improvement increase has been filed, a tenant shall have sixty days from the date of mailing of a notice of a proceeding in which to answer or reply. The state division of housing and community renewal shall provide any responding tenant with the reasons for the division's approval or denial of such application];~~ provided that the commissioner first finds that such improvements are deemed depreciable under the internal revenue code and such improvements are required for the operation or preservation of the structure. However, no major capital improvement rent increase will be approved by the division of housing and community renewal unless the work performed is an enhancement or upgrade to a housing accommodation or service therein; or is an addition to such housing accommodation and otherwise eligible according to the prerequisites for major capital improvement rent increases. Any repair or replacement intended to maintain an existing service shall not be eligible for a major capital improvement rent increase. No application for a major capital improvement rent increase may be approved if there exist any outstanding hazardous violations at the time of the consideration of such application, as determined pursuant to regulations of the division of housing and community renewal or any agency administering and enforcing a building code in the jurisdiction in which the property is located, unless it is determined by the division of housing and community renewal that such work is essential to the alleviation of the violations and such approval is consistent with the provisions of this section. Except in the case of emergency or good cause, the owner of the property shall file, not less than thirty days before the commencement of the improvement, with the division of housing and community renewal a statement containing information outlining the scope of work, expected date of completion for such work and an affidavit setting forth the following information: (a) every owner of record and owner of a substantial interest in the property or entity owning the property or sponsoring the improvement; and (b) a statement that none of such persons had, within the five years prior to the improvement, been found to have harassed or unlawfully evicted tenants by judgment or determination of a court or agency under the

1 penal law, any state or local law regulating rents or any state or local  
2 law relating to harassment of tenants or unlawful eviction. Upon receipt  
3 of the scope of work and affidavit provided for herein, the division of  
4 housing and community renewal shall provide the tenants in occupancy in  
5 such buildings with such information. The division of housing and commu-  
6 nity renewal shall, in addition, implement procedures including, but not  
7 limited to, eliciting tenant comments to determine whether major capital  
8 improvement rehabilitation work has been satisfactorily completed. No  
9 major capital improvement rent increase shall become effective until any  
10 defective or deficient rehabilitation work has been cured. The increase  
11 permitted for such capital improvement shall be collected as a monthly  
12 surcharge to the maximum rent. It shall be separately designated and  
13 billed as such and shall not be compounded by any other adjustment to  
14 the maximum rent. The surcharge allocable to each apartment shall be an  
15 amount equal to the cost of the improvement divided by eighty-four,  
16 divided by the number of rooms in the building, and then multiplied by  
17 the number of rooms in such apartment; provided that the surcharge allo-  
18 cable to any apartment in any one year may not exceed an amount equal to  
19 six percent of the monthly rent collected by the owner for such apart-  
20 ment as set forth in the schedule of gross rents. Any excess above said  
21 six percent shall be carried forward and collected in future years as a  
22 further surcharge not to exceed an additional six percent in any one  
23 year period until the total surcharge equals the amount it would have  
24 been if the aforementioned six percent limitation did not apply; or (8)  
25 there has been since March first, nineteen hundred fifty, in structures  
26 containing more than four housing accommodations, other improvements  
27 made with the express informed consent of the tenants in occupancy of at  
28 least seventy-five per centum of the housing accommodations, provided,  
29 however, that no adjustment granted hereunder shall exceed two per  
30 centum unless the tenants have agreed to a higher percentage of  
31 increase, as herein provided; (9) there has been, since March first,  
32 nineteen hundred fifty, a subletting without written consent from the  
33 landlord or an increase in the number of adult occupants who are not  
34 members of the immediate family of the tenant, and the landlord has not  
35 been compensated therefor by adjustment of the maximum rent by lease or  
36 order of the commission or pursuant to the federal act; or (10) the  
37 presence of unique or peculiar circumstances materially affecting the  
38 maximum rent has resulted in a maximum rent which is substantially lower  
39 than the rents generally prevailing in the same area for substantially  
40 similar housing accommodations.

41 § 7. Paragraph 5 of subdivision d of section 6 of section 4 of chapter  
42 576 of the laws of 1974, constituting the emergency tenant protection  
43 act of nineteen seventy-four, as amended by chapter 102 of the laws of  
44 1984, is amended and a new paragraph 6 is added to read as follows:

45 (5) as an alternative to the hardship application provided under para-  
46 graph four of this subdivision, owners of buildings acquired by the same  
47 owner or a related entity owned by the same principals three years prior  
48 to the date of application may apply to the division for increases in  
49 excess of the level of applicable guideline increases established under  
50 this law based on a finding by the commissioner that such guideline  
51 increases are not sufficient to enable the owner to maintain an annual  
52 gross rent income for such building which exceeds the annual operating  
53 expenses of such building by a sum equal to at least five percent of  
54 such gross rent. For the purposes of this paragraph, operating expenses  
55 shall consist of the actual, reasonable, costs of fuel, labor, utili-  
56 ties, taxes, other than income or corporate franchise taxes, fees,

1 permits, necessary contracted services and non-capital repairs, insur-  
2 ance, parts and supplies, management fees and other administrative costs  
3 and mortgage interest. For the purposes of this paragraph, mortgage  
4 interest shall be deemed to mean interest on a bona fide mortgage  
5 including an allocable portion of charges related thereto. Criteria to  
6 be considered in determining a bona fide mortgage other than an institu-  
7 tional mortgage shall include[+]: condition of the property, location of  
8 the property, the existing mortgage market at the time the mortgage is  
9 placed, the term of the mortgage, the amortization rate, the principal  
10 amount of the mortgage, security and other terms and conditions of the  
11 mortgage. The commissioner shall set a rental value for any unit occu-  
12 pied by the owner or a person related to the owner or unoccupied at the  
13 owner's choice for more than one month at the last regulated rent plus  
14 the minimum number of guidelines increases or, if no such regulated rent  
15 existed or is known, the commissioner shall impute a rent consistent  
16 with other rents in the building. The amount of hardship increase shall  
17 be such as may be required to maintain the annual gross rent income as  
18 provided by this paragraph. The division shall not grant a hardship  
19 application under this paragraph or paragraph four of this subdivision  
20 for a period of three years subsequent to granting a hardship applica-  
21 tion under the provisions of this paragraph. The collection of any  
22 increase in the rent for any housing accommodation pursuant to this  
23 paragraph shall not exceed six percent in any year from the effective  
24 date of the order granting the increase over the rent set forth in the  
25 schedule of gross rents, with collectability of any dollar excess above  
26 said sum to be spread forward in similar increments and added to the  
27 rent as established or set in future years. No application shall be  
28 approved unless the owner's equity in such building exceeds five percent  
29 of: (i) the arms length purchase price of the property; (ii) the cost of  
30 any capital improvements for which the owner has not collected a  
31 surcharge; (iii) any repayment of principal of any mortgage or loan used  
32 to finance the purchase of the property or any capital improvements for  
33 which the owner has not collected a surcharge; and (iv) any increase in  
34 the equalized assessed value of the property which occurred subsequent  
35 to the first valuation of the property after purchase by the owner. For  
36 the purposes of this paragraph, owner's equity shall mean the sum of (i)  
37 the purchase price of the property less the principal of any mortgage or  
38 loan used to finance the purchase of the property, (ii) the cost of any  
39 capital improvement for which the owner has not collected a surcharge  
40 less the principal of any mortgage or loan used to finance said improve-  
41 ment, (iii) any repayment of the principal of any mortgage or loan used  
42 to finance the purchase of the property or any capital improvement for  
43 which the owner has not collected a surcharge, and (iv) any increase in  
44 the equalized assessed value of the property which occurred subsequent  
45 to the first valuation of the property after purchase by the owner[+];  
46 or

47 (6) notwithstanding paragraph three of this subdivision there shall be  
48 no adjustment for any major capital improvement funded in any part from  
49 moneys provided by the New York state energy research and development  
50 authority.

51 § 8. Paragraph 1 of subdivision g of section 26-405 of the administra-  
52 tive code of the city of New York is amended by adding a new subpara-  
53 graph (p) to read as follows:

54 (p) Notwithstanding subparagraph (g) or (k) of this paragraph, there  
55 shall be no adjustment for any major capital improvement or for any  
56 other expenditures to improve, restore or preserve the quality of a

1 structure if such major capital improvement or such other expenditure is  
2 funded in any part from moneys provided by the New York state energy  
3 research and development authority.

4 § 9. This act shall take effect immediately; provided that the amend-  
5 ments to section 26-405 of the city rent and rehabilitation law made by  
6 sections one, two and eight of this act shall remain in full force and  
7 effect only so long as the public emergency requiring the regulation and  
8 control of residential rents and evictions continues, as provided in  
9 subdivision 3 of section 1 of the local emergency housing rent control  
10 act; and provided that the amendments to section 26-511 of the rent  
11 stabilization law of nineteen hundred sixty-nine made by sections three  
12 and four of this act shall expire on the same date as such law expires  
13 and shall not affect the expiration of such law as provided under  
14 section 26-520 of such law, as from time to time amended.