

STATE OF NEW YORK

2433

2025-2026 Regular Sessions

IN SENATE

January 17, 2025

Introduced by Sens. KRUEGER, CLEARE, GONZALEZ, GOUNARDES, HOYLMAN-SIGAL, JACKSON, LIU, MAYER, MYRIE, PARKER, RAMOS, RIVERA, SCARCELLA-SPANTON, SEPULVEDA, STAVISKY -- read twice and ordered printed, and when printed to be committed to the Committee on Judiciary

AN ACT to amend the real property law, in relation to limiting the amount of rent increases for residential ground lease cooperative apartment buildings and establishing certain rights upon expiration of such leases

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

1 Section 1. Section 233-c of the real property law, as added by chapter
2 371 of the laws of 2024, is amended to read as follows:

3 § 233-c. Residential ground lease cooperative apartment buildings. 1.
4 Wherever used in this section:

5 (a) The term "residential ground lease cooperative apartment building"
6 means any and all buildings, improvements or other structures located in
7 the state of New York occupied, owned or leased in whole or in part by a
8 ground lease residential cooperative, or any subsidiary or affiliate
9 thereof, pursuant to a subject residential cooperative ground lease.

10 (b) The term "ground lease residential cooperative" means any New York
11 corporation organized or operating as a housing development fund corpo-
12 ration, New York cooperative corporation or cooperative housing corpo-
13 ration, including any entity meeting the definition thereof for federal
14 income tax purposes, or any person or entity that is a tenant in common,
15 co-tenant or joint owner with any such corporation, or which is, direct-
16 ly or indirectly through a subsidiary or affiliate thereof, a party to a
17 subject residential cooperative ground lease.

18 (c) The term "subject residential cooperative ground lease" means the
19 lease agreement, together with any amendments or other related agree-
20 ments including any forbearance, settlement, tenancy in common or other
21 similar agreements related thereto, pursuant to which a ground lease

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

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1 residential cooperative leases, occupies or otherwise uses for residen-
2 tial, commercial, or other ancillary purposes the ground lease real
3 property from one or more subject ground lease owners.

4 (d) The term "ground lease real property" means all real property,
5 including improvements thereon, all or any portion of which is leased,
6 rented, licensed or otherwise provided for use to a ground lease resi-
7 dential cooperative pursuant to a subject residential cooperative ground
8 lease, including any portion thereof that may be subleased or otherwise
9 used for ancillary retail, parking, or commercial purposes.

10 (e) The term "subject ground lease owners" means any and all persons
11 or entities, whether natural persons, estates, trusts, corporations,
12 partnerships or other entities, other than any excepted ground lease
13 owner, that holds title to or is the owner, whether by the entirety, as
14 tenants in common or otherwise, of ground lease real property or is
15 otherwise the landlord under any subject residential cooperative ground
16 lease.

17 (f) The term "excepted ground lease owner" means (i) the United States
18 federal government, the state of New York, the city of New York, and any
19 agency, municipality or political subdivision of any of the foregoing
20 thereof, any entity owned or controlled by any of the foregoing, includ-
21 ing but not limited to, the Battery Park city authority, the Roosevelt
22 Island Operating Corporation, the Queens West Development Corporation,
23 the Brooklyn Bridge Park Development Corporation, the New York City
24 Educational Construction Fund, and the New York City Housing Authority,
25 (ii) any charity approved under section 501(c) of the internal revenue
26 code which acquired its interest as the owner or landlord of a ground
27 lease real property prior to January first, two thousand twenty-four,
28 and (iii) any Indian nation, tribe or band as such lands are described
29 under and protected by the Indian law or title twenty-five of the United
30 States Code, but shall exclude any private foundation within the meaning
31 of section five hundred nine of the internal revenue code.

32 (g) The term "base rent" means for any year the payments, including
33 any consumer price index or other similar adjustment payments, other
34 than additional rent, required to be made to the subject ground lease
35 owners for such year pursuant to a subject residential cooperative
36 ground lease.

37 (h) The term "additional rent" means, for any year, the amounts spent
38 or borne by the ground lease residential cooperative during such year
39 pursuant to, or in order to comply with, the subject residential cooper-
40 ative ground lease for the payment of real estate taxes, insurance,
41 repair, maintenance, including, without limitation, maintenance as may
42 be required pursuant to any facade inspection safety program implemented
43 by any city, municipality or other government entity within the state of
44 New York, and/or other capital improvements for or with respect to the
45 residential ground lease cooperative apartment building.

46 (i) The term "maximum annual rent increase percentage" means, for any
47 year, the greater of: (i) three percent (3%); and (ii) the percentage
48 change in the consumer price index (for all urban consumers, U.S. city
49 average, all items, not seasonally adjusted), as published by the United
50 States department of labor for such year.

51 (j) "Commissioner" means the commissioner of the division of housing
52 and community renewal.

53 2. Notwithstanding any term of a subject residential cooperative
54 ground lease to the contrary, if a subject residential cooperative
55 ground lease authorizes the ground lease residential cooperative to
56 renew or extend its lease at the sole option of the ground lease resi-

dential cooperative, then the ground lease residential cooperative may exercise such right to renew or extend at any time prior to the expiration of the subject residential cooperative ground lease in accordance with all other terms thereof.

3. Annual increases in base rent payable by any ground lease residential cooperative from and after the thirtieth anniversary of the initial date of the subject residential ground lease shall in no event exceed the maximum annual rent increase percentage of the base rent payable by the ground lease residential cooperative in the prior year. In the event the subject residential cooperative ground lease provides for increases in base rent on a periodic basis less frequently than annually, the increase in base rent for any period may not represent more than the compound increase that results from applying the maximum annual rent increase percentage for each applicable year above the base rent in effect as of the last prior increase in base rent. The provisions of this subdivision shall apply as a limit on annual increases in base rent regardless of the methodology for determining the base rent or any increases therein as set forth in the subject residential cooperative ground lease instrument.

4. (a) Subject to paragraph (b) of this subdivision, after the effective date of the chapter of the laws of two thousand twenty-five that amended this section, to the extent that a subject residential cooperative ground lease does not otherwise contain a right or option to renew that continues to be exercisable by the residential ground lease cooperative, any residential ground lease cooperative shall have the right to renew its subject residential cooperative ground lease on the same terms and conditions, subject to this section, as in effect at time of renewal, with such renewal exercisable at any time prior to the end of the term or within ninety days after having received written notice from the subject ground lease owners of the expiration or termination of the subject residential cooperative ground lease. Any renewal term pursuant to the foregoing shall, subject to paragraph (b) of this subdivision, be equal to the lesser of the term of such subject residential cooperative ground lease prior to such expiration or termination or thirty years, and shall occur automatically and successively, unless the subject residential cooperative ground lease affirmatively elects to not so renew and has provided written notice of such non-renewal to the subject ground lease owners.

(b) Notwithstanding paragraph (a) of this subdivision, in the case of any renewal that is not already provided for in the subject residential cooperative ground lease, a subject ground lease owner may elect not to renew a subject residential cooperative ground lease, and in any event may bring and maintain any action for eviction, in each case for the reasons set forth in section seven hundred eleven of the real property actions and proceedings law.

5. After the effective date of the chapter of the laws of two thousand twenty-five that amended this section, to the extent a subject residential ground lease contains any prohibition, specified dollar limitations or other requirements for or conditioned on obtaining the prior written consent of the subject ground lease owner with respect to the incurrence of indebtedness or borrowing of money by a residential ground lease cooperative and/or the encumbrance of its interest in the ground lease apartment building in connection therewith, in each case where the primary purpose of such indebtedness and/or borrowed money is to provide proceeds or other credit support to pay or fund repairs, maintenance or other capital improvements on or with respect to the ground lease real

1 property and/or the ground lease apartment building, the subject ground
2 lease owner may only refuse to grant such consent for reasonable cause
3 and must provide the residential ground lease cooperative with a written
4 statement that sets forth the basis of refusal within fifteen days of a
5 written request for permission from the residential ground lease cooper-
6 ative. The foregoing shall not apply to any mortgage or granting of a
7 security interest in the ground lease real property, other than the
8 residential ground lease cooperative apartment building itself so long
9 as it is subordinate to the rights of the subject ground lease owner
10 under the subject residential cooperative ground lease.

11 6. (a) If, after the effective date of the chapter of the laws of two
12 thousand twenty-five that amended this section, any subject ground lease
13 owner proposes to directly or indirectly sell, assign, exchange, or
14 otherwise transfer any direct or indirect interest in any ground lease
15 real property, including, without limitation, any indirect hypothecation
16 by way of transfers of interests in any entity that is itself a subject
17 ground lease landlord or an owner thereof and/or the subject residen-
18 tial cooperative ground lease itself, the subject ground lease owner
19 shall provide the residential ground lease cooperative with written
20 notice thereof containing the price and all other terms and conditions
21 of such direct or indirect proposed sale, assignment, exchange, trans-
22 fer, or other similar conveyance. The residential ground lease cooper-
23 ative shall have the right to purchase the interest being sold,
24 assigned, exchanged, transferred, or conveyed at the same price and on
25 substantially similar terms and conditions by providing written notice
26 to the subject ground lease owner within one hundred twenty days of
27 receipt of the aforementioned written notice from the subject ground
28 lease owner. The closing of the purchase by the residential ground lease
29 cooperative shall occur within the time frame and pursuant to procedures
30 adopted by the commissioner pursuant to paragraph (d) of this subdivi-
31 sion.

32 (b) If an offer to purchase by the residential ground lease cooper-
33 ative is not delivered within such one hundred twenty day period, then,
34 unless the subject ground lease owner thereafter elects to directly or
35 indirectly sell, assign, exchange, or otherwise transfer any direct or
36 indirect interest in any ground lease real property at a price lower
37 than the price specified in the notice to the residential ground lease
38 cooperative or on terms different from those presented to the residen-
39 tial ground lease cooperative, the subject ground lease owner has no
40 further obligations under this section, unless the subject ground lease
41 owner does not directly or indirectly sell, assign, exchange, or other-
42 wise transfer any direct or indirect interest in any ground lease real
43 property in accordance with the foregoing within one hundred twenty days
44 after the expiration of the one hundred twenty day period commencing
45 with delivery of the written notice of the proposed sale to the residen-
46 tial ground lease cooperative, in which case the provisions of para-
47 graphs (a) and (c) of this subdivision shall continue to apply.

48 (c) If the subject ground lease owner, after such one hundred twenty
49 day period, elects to directly or indirectly sell, assign, exchange, or
50 otherwise transfer any direct or indirect interest in any ground lease
51 real property at a price lower than the price specified in the notice to
52 the residential ground lease cooperative or on terms different from
53 those presented to the residential ground lease cooperative, then the
54 residential ground lease cooperative shall be entitled to notice thereof
55 and shall have an additional one hundred twenty days after receipt of
56 notice of the revised terms to deliver to the subject ground lease owner

1 a written notice indicating exercise of such residential ground lease
2 cooperative's right to purchase which meets the revised price, terms,
3 and conditions as presented by the subject ground lease owner. The
4 closing of the purchase by such residential ground lease cooperative
5 shall occur within the time frame and pursuant to procedures adopted by
6 the commissioner pursuant to paragraph (d) of this subdivision.

7 (d) The commissioner shall adopt the procedures in connection with
8 this subdivision no later than one year after the effective date of the
9 chapter of the laws of two thousand twenty-five that amended this
10 section to give effect to closing terms and conditions associated with
11 any purchase and sale contemplated by this subdivision.

12 (e) This section does not apply to purchases of ground lease real
13 property by a governmental entity under its powers of eminent domain.

14 § 2. If any clause, sentence, paragraph, subdivision, section or part
15 of this act shall be adjudged by any court of competent jurisdiction to
16 be invalid, such judgment shall not affect, impair, or invalidate the
17 remainder thereof, but shall be confined in its operation to the clause,
18 sentence, paragraph, subdivision, section or part thereof directly
19 involved in the controversy in which such judgment shall have been
20 rendered. It is hereby declared to be the intent of the legislature that
21 this act would have been enacted even if such invalid provisions had not
22 been included herein.

23 § 3. This act shall take effect immediately and shall apply to all
24 existing leases as of such effective date and to any renewals, amend-
25 ments and other extensions of such leases.