

The Rent Law of 2015

What's new in the Rent Laws.

- 1) The laws are extended to June 15, 2019
- 2) The Division of Housing and Community Renewal (DHCR) will have to do regulations to implement the changes.

Changes for current tenants.

MCI changes

- 1) MCI changes. Tenants know that they are responsible for 1/84 of the major capital improvements done by the landlord. It is 1/84th so make sure that the landlord is fully paid back in 7 years. The increases are permanent but after 7 years, the landlords costs are recovered. This is how the old calculation worked
 - a. Old calculation. Assume the cost per room was \$1000. Divide by 84 (or 7 years x 12 months). The MCI increase would be \$11.90 per room.
- 2) New MCI rules. If your building is 35 units and under, the landlord is paid back in 8 years, not seven. If your building is over 35 units, the landlord is paid back in 8 years. Again, the increases **remain** permanent but the increase is slightly lower.
 - a. New 35 unit and under calculation. Costs for MCI – cost per room was \$1000. Divide by 96 (8 years x 12). The new MCI increase will be \$10.42 per room. This is a decrease of 12.5%
 - b. New over 35 unit calculation. Costs for MCI – cost per room was \$1000. Divide by 108 (9 years x 12). The new MCI increase will be \$9.26 per room. This is a decrease of 22%.

Harassment changes: Slight changes to the fines for harassment. Each fine may be increased up to an additional \$1000.

Changes for future tenants.

If the previous tenant paid a preferential rent.

Every time that a tenant moves out of an apartment, the landlord gets a vacancy bonus of 20%. The law slightly changed this but only if the previous tenant received a preferential rent. If the previous tenant received a preferential rent, and that tenant moved out after one year, the landlord can only receive a 5% vacancy bonus. If the previous tenant received a preferential rent and the tenant moved out after 2 years, the landlord can only receive a 10% vacancy bonus. If

the previous tenant received a preferential rent and the tenant moves out after three years, the landlord receives a 15% vacancy bonus. If the previous tenant received a preferential rent and the tenant moves out after four years, the landlord receives the usual 20%.

Increase in the deregulation threshold.

Landlords can deregulate apartments if they reach the rent threshold and either the apartment is vacant or the tenant has a high income of 200,000 or more a month. For the type of deregulation that involves a vacant apartment, which is called vacancy deregulation, it has been understood for many years that the apartment did not have to be at this threshold when the previous tenant left. Instead, the landlord could use the loopholes in the law and lax enforcement to get the apartment to the threshold. Up until June 15, 2015, the threshold was \$2500. In the new law, the threshold was raised to \$2700. However, the language in the new law describing this was changed.

What does this change mean? Well, the landlords are very angry about this change in language. They say that this means that an apartment can only be deregulated if the legally regulated rent for prior tenant was \$2700 a month.

What do we say? Changes in law have meaning. We believe this will ultimately be decided by the courts.

Indexing the threshold

Unlike previous years, the law allows for the threshold to increase between rent renewal years. On January 1st, every year, the deregulation threshold will increase by the one year rent guidelines board increase. This year, that is zero percent, so the threshold won't increase January 1st. However, in other years, if we are not successful in getting a rent freeze, the following January the threshold will go up.