

OVERVIEW

RENT ACT OF 2015: PRESENTATION TO SPONY, OCTOBER 21, 2015

A brief summary of changes to the Rent Stabilization and Rent Control statutes that were enacted pursuant to the Rent Act of 2015 is as follows:

1. **High Rent Deregulation** – The deregulation rent threshold is increased from \$2,500 to \$2,700 per month effective June 15, 2015. Effective January 1, 2016, that amount will increase each year based on the one-year lease renewal percentage issued annually by the Rent Guidelines Board.
2. **Vacancy Allowance** – Effective June 15, 2015, the statutory vacancy allowance increase is restricted if the prior tenant was paying a preferential rent. In such instances, the legal rent for the vacancy lease may be adjusted by 5% of the legal regulated rent if the last vacancy lease commenced less than two years ago; 10% if the last vacancy lease commenced less than three years ago; 15% if the last vacancy lease commenced less than four years ago; and 20% if the last vacancy lease commenced four or more years ago. The date from which the two- to four-year look back periods should be measured is not explicit and needs to be evaluated. The vacancy allowance rules are unchanged if no preferential rent was collected under the prior lease.
3. **Preferential Rents** – Preferential rents can still be terminated at the end of the lease preference period. Vacancy increases after a preferential rent are restricted (**see point #2**).
4. **MCIs** – The amortization period is increased from 84 months to 96 months for buildings with 35 or fewer apartments and to 108 months for buildings with 36 or more apartments. MCI rent adjustments remain permanently part of the legal regulated rent.
5. **IAIs** – There are no amendments in the Act that affect the rules governing IAIs.
6. **Effective Dates** – The Rent Stabilization and Rent Control statutes are extended for four years through June 15, 2019. The effective date of the Rent Act of 2015 depends on specific provisions which have particular effective dates, all of which need to be carefully evaluated.

The most significant changes in the 2015 legislation relate to an owner's ability to deregulate a unit based on vacancy. In the past, owners could use vacancy increases, longevity increases, and individual apartment improvement increases to reach the vacancy deregulation threshold. Pursuant to this newly enacted legislation, an owner's ability to luxury deregulate an apartment upon vacancy, assuming that it can be done at all, will depend on such factors as (1) the date the apartment becomes vacant; (2) the rent threshold at the time of vacancy; (3) whether the vacating tenant paid a preferential rent; and (4) if so, the date of the last vacancy.