

Here's How Landlords Are Getting Around New Rent Laws

With changes to state laws making it harder to increase rent in stabilized apartments, landlords are finding creative ways to keep the money flowing.



By Ronda Kaysen

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Q: I live in a rental building on the Upper East Side. Recently, a tenant vacated an inexpensive rent-stabilized unit. Rather than list the apartment, the landlord has kept it vacant for months. Some tenants speculate that he is waiting for the tenant in the adjacent market-rate apartment to move out so he can combine the two units, creating one large market-rate apartment. Is this legal under the new rent laws, which prohibit landlords from destabilizing apartments when tenants vacate?

A: New York State rent rules allow a landlord to take a rent-regulated apartment and combine it with another one, creating a new, larger unit. The landlord may then set a “first rent” for this unit at whatever price he can fetch on the market. If the market rate were, say, \$4,000, and he found a tenant willing to pay that much, that would be the rent.

But there's a caveat. In the past, the new apartment would effectively be deregulated after such renovations, and the rent could increase every year at the landlord's discretion. But under the changes made last June, that newly configured apartment would still be rent-regulated, albeit at a much higher rent. So after the first year, the landlord could only increase the rent by an amount set by the Rent Guidelines Board, and the tenant would have all the protections that come with a rent-stabilized lease.

Your landlord may be holding onto the apartment as he scrambles to find ways to squeeze income out of rent-regulated apartments in this new landscape. The changes to the laws have caused a seismic shift in the way landlords approach regulated apartments because they make it much harder to increase rents. Combining two units is one of the few remaining avenues available to them.

“It's an opportunity to legally obtain a higher rent,” said Sherwin Belkin, a lawyer who represents landlords and a partner at the Manhattan firm Belkin Burden Goldman.

Some landlords are offering tenants cash buyouts to vacate their stabilized apartments so units can be combined, according to lawyers. Others are keeping vacant stabilized units off the market in the hopes that challenges to portions of the new law will prevail in court.

“I'm seeing more warehousing — withholding units from the market,” said Lucas A. Ferrara, a Manhattan real estate attorney and adjunct professor at New York Law School. “Some landlords are wishing for changes to the law.”

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