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Rent Laws' Impact: Tenant Paradise or Return of the 'Bronx Is Burning'?

The Bronx could be the epicenter for the rent regulation overhaul, and there are two starkly different visions of how it will play out.



Stephanie Kirnon owns a 26-unit building in the Wakefield section of the Bronx and said the new regulations could hinder her ability to ensure apartments are in livable condition. Brittainy Newman/The New York Times

When a neighborhood landlord named Stephanie Kirnon learned about the far-reaching changes to New York's rent laws, she grew anxious: How would she afford the \$29,000 in repairs to the leaky roof of the 26-unit apartment building she owns in the Bronx?

A few miles away, Gloribel Castillo, a lifelong Bronx resident who works two shifts as a cleaner in Manhattan hotels, received a text message saying that the rent measures would be approved by the New York Legislature. She felt immediate relief, knowing that the \$1,430-a-month rent on her three-bedroom apartment could no longer be sharply increased.

The tightening of rent regulations approved on Friday by the newly emboldened Democrats in the Legislature represents one of the most sweeping interventions by

government in the New York City real estate market in decades, establishing new rules for millions of people on everything from rent increases to security deposits to evictions.

And the epicenter for the impact of the changes could be the Bronx, the borough with the highest percentage of rent-regulated apartments, and where the landlords and tenants have offered conflicting visions about how property owners and tenants will be affected.

Tenants groups have cast the legislation, which went into effect immediately, as an overdue respite for places like the Bronx, parts of which have faced rising rents and displacement in an overheated real estate market that has stirred new tensions over gentrification. The real estate industry contends that the legislation will lead to buildings in disrepair, abandoned blocks and urban blight, a return to the “Bronx is Burning” of the 1970s.

That the borough’s future is at stake underscores the profound scope of the changes, not just for the 2.4 million residents of the nearly one million regulated apartments citywide, but the real estate market in New York City as a whole. The new raft of laws could have an outsize effect on Bronx residents: The borough has more than 230,000 rent-regulated apartments, which represent 61 percent of its rental stock.

“The Bronx has been the working-class borough for much of its existence, and that means that its tenure as an affordable option in the city is now being extended where sections of it were being threatened,” said Daniel Marks Cohen, a vice president at the NYC Housing Partnership, a nonprofit that works with the city and developers on below-market-rate projects in the borough.

“It’s probably going to save the Bronx for another generation,” he added.



Tenant advocates gathered Friday on the Capitol’s steps in Albany and awaited the passage of new rent laws. Dakota Santiago for The New York Times

The strengthening of the rent laws came after many months of contentious debate in Albany, in addition to boisterous rallies held by tenant activists in the city and the State Capitol. The new rules would place considerable limits on rent increases, strengthen eviction protections and prohibit landlords from lifting most affordable apartments out of regulation.

Home to about 1.4 million people, the Bronx has experienced a rush of construction in recent years, following the furious pace of building along the waterfront in Brooklyn and Queens, both of which have lured developers priced out of Manhattan and those seeking more lucrative projects.

As in those markets, a surge in pricier developments in the Bronx has put pressure on existing rent-regulated tenants because landlords know that they can charge more for those apartments once units turn over to new renters.

Rents paid by rent-regulated tenants throughout New York City, the majority of whom are black and Hispanic, are subject to city-mandated caps. But the city has seen a decrease in tens of thousands of regulated units in the past few years under provisions in the expiring law that allowed landlords to deregulate apartments under certain circumstances.

The median household income of rent-regulated renters in the Bronx was \$32,155 in 2017; market-rate renters earned a median \$43,502, according to an analysis by New York University's Furman Center.

Supporters of the new rent protections said the curbs on rent increases in the law were a necessary brake on a real estate market that was steamrolling renters.

"The major overwhelming fact of the rent-stabilized market over the last few years is that it's become a playpen for speculators," said Benjamin Dulchin, the executive director of the Association for Neighborhood and Housing Development. "That will now move back down to more historic norms."

But some in the real estate industry said they were deeply concerned that the new rules would make it more difficult for landlords to afford to renovate aging residential buildings and to construct new ones.

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"I think there will come a time when the New York City housing stock will be in terrible shape, like it was in the '70s," said Myles Horn, a developer who worked during the years when the city had to seize apartment buildings, many in the Bronx, from landlords who fell behind on property taxes and mortgage payments.

Ms. Castillo, 49, the Bronx resident who works two shifts as a cleaner in Manhattan hotels, said that more than half of her salary is spent on rent for her apartment in the Concourse

area. According to a widely utilized standard, that means she is severely rent-burdened, as are more than one-third of rent-regulated tenants citywide.



*Gloribel Castillo pays \$1,430 a month to rent a three-bedroom apartment in the Bronx, which is more than half of her salary.
Calla Kessler/The New York Times*

“I don’t get any government help,” Ms. Castillo said. “I had to cut my cable, and I still have to put my youngest daughter through college. She wants to be a doctor.”

The amount Ms. Castillo pays is technically a discounted rent, known as “preferential rent,” and her landlord could increase it when she renews her lease. She said that is exactly what the company that recently bought her building is doing, raising her neighbors’ rents by hundreds of dollars.

But the new rules would offer Ms. Castillo a respite: Landlords would be forced to make preferential rents permanent for existing tenants.

“We think the immediate winners are existing rent-regulated tenants, particularly those with preferential rents,” said Matthew Murphy, the executive director of the Furman Center.

Other Bronx residents hoped for more regulations. “We are, in the main, happy about this,” said Fitzroy Christian, a member of Community Action for Safe Apartments, a community advocacy group.

But Mr. Christian, who has lived in the same rent-stabilized apartment in the Mount Eden section of the Bronx since 1976, said more could have been done to protect tenants who might be evicted without just cause, especially now that a more than 90-block swath along Jerome Avenue has been rezoned to allow more residential building.

Developers and landlords have struck a different note, arguing that the changes will freeze investment in multifamily buildings and hurt tenants in the long run.

A sticking point in the debate has been new limits on how much of the cost of renovations landlords can pass on to tenants in the form of increased rent.

Under a provision known as Individual Apartment Improvements, or I.A.I.s, landlords have been allowed to pass a fraction of the cost of renovations, like a new kitchen, to the next tenant.

But advocates have long argued that a lack of state oversight has led some owners to abuse the provision, systematically weaponizing I.A.I.s to inflate costs and push rents toward the threshold that would deregulate an apartment.

Under the new rules, the total renovation costs would be capped at \$15,000 over a 15-year period, meaning landlords would be able to raise the monthly rent by a maximum of about \$89. New limits would also be imposed on building-wide improvements, such as new boilers.

But landlords like Ms. Kirnon, who owns the building in the Bronx, said the new limits would hinder her ability to ensure apartments are in livable condition, especially in older buildings that require extra upkeep.

Ms. Kirnon, 72, inherited the building from her father in 1996 and renovated a one-bedroom apartment about three years ago, installing a sink and tub in the bathroom and improving the kitchen.

She said she spent \$25,000, more than what the new limits would allow. As a result, she said her margins might shrink and it might be harder to pay her mortgage.

“It will be difficult,” she said.

Mr. Horn, the developer, said those types of restrictions on rental increases will disproportionately affect smaller landlords.



"That business is dead," said Myles Horn, a real estate investor and developer, referring to the practice of converting regulated apartments to market-rate rents. Calla Kessler/The New York Times

In turn, necessary repairs could be neglected and buildings' resale value, which is tied to rental income potential, will plummet, he said. Critics said the new regulations could also stunt real estate tax revenue for the city because of an anticipated decline in multifamily property values.

Progressive lawmakers and tenant advocates have dismissed the real estate industry's concerns as alarmist, noting that the comparison with Bronx's past is unfair, given that there were other factors at play then, including a sharp population decline led by white flight.

The changes could ripple far beyond the rent-regulated market, said Garrett Derderian, the managing director of market analysis for CORE, a real estate brokerage. Since the new protections will make it more difficult for developers to push up the price of regulated apartments and convert them into market-rate units, tighter supply will mean a price increase for unregulated apartments.

"The people in the middle — below market-rate, but not protected — their rents, percentage wise, will see the greatest increases," he said.

Rental prices have been climbing since last fall, in part because of weakness in the for-sale market amid a glut of new luxury condos in Manhattan, and recent tax law changes for homeowners, said Jonathan Miller, the president of the real estate appraisal firm Miller Samuel.

In the Mott Haven section of the Bronx, where new development is surging, the median asking rent in April was \$2,250 a month, up 15 percent from the same period in 2017, according to the listing website StreetEasy.

Rafael Cestero, a former commissioner of the city's department of Housing Preservation and Development, said many of the new changes were necessary, but he also worried whether lawmakers had struck the right balance.

The new rules are permanent, unlike the former regulations that were subject to renewal every few years. Mr. Cestero questioned whether there would be the political will to readjust incentives if buildings began to fall into disrepair down the road.

"It's not like we're going to wake up the next morning and the Bronx will be burning again," said Mr. Cestero, now the president of the Community Preservation Corporation, a nonprofit affordable housing lender. "We'll wait and see."