

# Let's Hear It for the State Senate Housing Committee

Finally, sensible legislation proposed for high-rent and high-income decontrol

**E**ureka! Finally, a piece of housing legislation has been proposed in Albany that might actually make some sense.

Last week, the Senate Housing Committee proposed and endorsed a slate of housing bills that are expected to go to a full vote of the State Senate shortly and are likely to pass in that chamber.

As we have discussed in this column several times this year, New York's rent-regulation program expires on June 15. While no one expects that it will actually expire, the form in which the regulation is renewed is critically important to the continued recovery of the real estate market.

Last week's action of the Senate Housing Committee indicates that

some senators have actually looked at the rent-regulation system for what it is and have decided to propose legislation that makes sense for both the housing market and, more broadly, the city.

The Senate leadership has recognized the need to protect the downstate economy, to stimulate economic activity by getting government out of the way, and to enable businesses to create jobs. Further, they understand that in a rational society, public-assistance subsidies should go to those most genuinely in need and not to prosperous New Yorkers.

In that regard, they have intro-



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duced far-sighted legislative proposals that would reform rent control and rent stabilization so that the public subsidy (which rent regulation undoubtedly is) for rents is directed to those who need it and is not available for wealthier New Yorkers who have housing options.

**T**he first two of the proposed bills address luxury decontrol. The first of these would lower the rent threshold of high-rent decontrol from \$2,000 per month to \$1,500 per month. To understand the rationale behind this, it is important to understand why this high-rent de-

control was initially implemented for the purpose of systematically phasing out rent regulation over an extended period of time.

However, given the \$2,000 threshold and the realities of the less-than-adequate rent increases put forth by the Rent Guidelines Board each year, it would probably take about 50 or 60 years before rent regulation was actually eliminated. We do think that lowering the \$2,000 threshold to \$1,500 would accelerate this process and would probably eliminate rent regulation within a 25- to 35-year period.

The second of these bills deals with high-income decontrol. This guideline suggests that if a rent-regulated tenant has paid \$2,000 per month or more and has made

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over \$175,000 for two consecutive years, that tenant becomes deregulated. The bill proposed by the Senate Housing Committee last week indicated that if a regulated tenant makes over \$175,000 for two years in a row, the unit would become deregulated regardless of the rent level.

This makes tremendously more sense than utilizing a \$2,000 threshold above which this deregulation

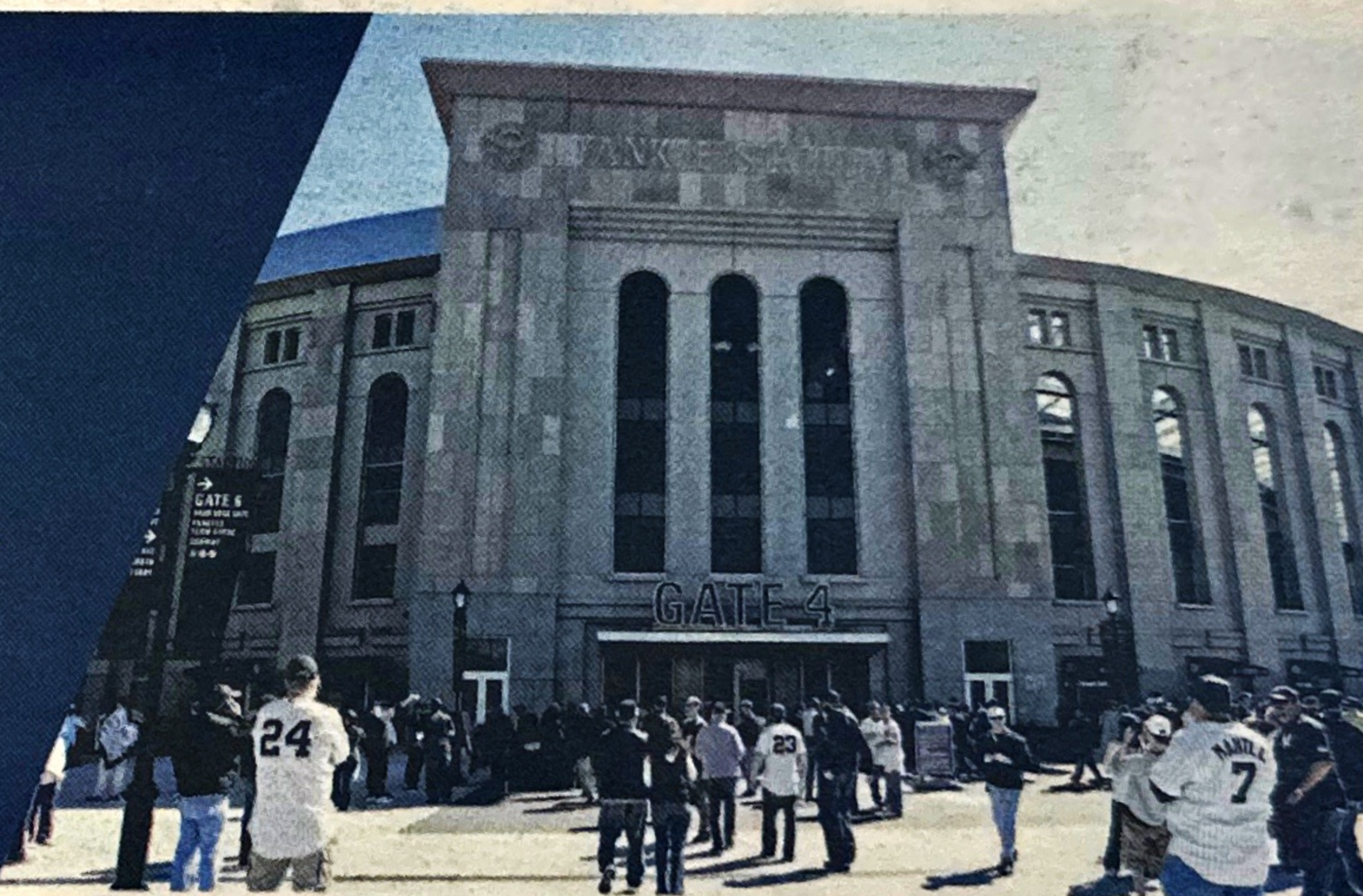
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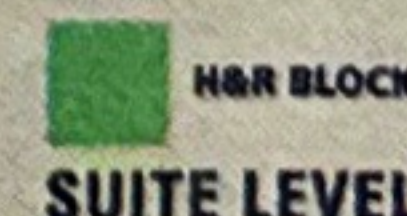


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would kick in. The reason for this is that, due to rent regulation's being nothing more than a public assistance subsidy, it is actually paid for by every nonregulated resident of New York. To the extent someone has earned \$175,000 or more for two years in a row and pays \$500 a month in rent, they are "abusing" the system much more than someone who is paying \$2,000 a month.

If anything, the original law should have stated that, above the \$175,000 income threshold, anyone paying below \$2,000 a month should become deregulated. If someone is earning over \$175,000 for two years running, they do not require rent welfare.

Moreover, the proposed bill creates a presumption of income being above the \$175,000 threshold for high-income decontrol if the state is unable to make a determination as to the taxable income.

**B**ills that have been endorsed by the New York City Council and passed by the New York State Assembly look to increase the high-rent decontrol threshold from \$2,000 to \$3,000 and to increase the high-income decontrol earning level from \$175,000 to \$300,000. These actions are directly in opposition to what needs to be done to create jobs, to strengthen the economy and to allocate short resources where they are needed.

Backward thinking like this is difficult to comprehend. Both the Assembly and the Council are in favor of extending the "millionaire's tax" on anyone earning in excess of \$200,000. Bizarrely, at the same time, these same people believe that people earning \$300,000 are in need of rent welfare. Unbelievable! New York is probably the only place in the country where elected officials believe that "millionaires" should receive welfare.

Other bills proposed by the Senate Housing Committee include changes to the eviction process for nonprimary tenants. Simply stated, the proposed bills state that if the occupants of a regulated unit have not filed their City of New York taxes or they have voted in an election district outside the district their apartment is in, they would automatically lose their rent-regulated status based on nonprimary finding.

Lastly, the Senate Housing Committee has proposed a sensible method for dealing with the uncertainty created by the Roberts decision relative to buildings that receive J-51 benefits. The Senate bill provides that owners who pay back to the city the full amount of the J-51 benefit received would then be able to deregulate apartments in the normal course of business. Any apartments that were deregulated previously would remain fair market at the previously paid rent level.

This is a common sense solution to the J-51 conundrum, as the city would see a tremendous infusion of revenue, likely on the order of hundreds of millions of dollars, by repossessing these benefits. Additionally, the free-market tenants who willingly and ably occupied these free-market apartments would not be getting legislative lottery tickets and windfalls that they neither need nor deserve.

**R**arely do we see such logical housing legislation proposed by lawmakers in Albany. These proposed bills would go a long way toward solving a lot of inequities that exist in a system that randomly allocates public assistance based on inertia and being in the right place at the right time, as opposed to economic need.

Such a gross misallocation of the housing stock creates significant stresses on the system and should be dealt with in a logical fashion.

It is important to note that the recently proposed bills by the Senate Housing Committee are not intended to be, and are not explicitly, a vacancy-decontrol system. Regarding what happens upon vacancy, New York does not have a program of vacancy decontrol and that term is nowhere in the present, or proposed, rent laws.

What New York has is luxury decontrol, a program in which wealthy tenants and high-rent apartments can be exempted from regulation. The reality is that a great majority of apartments that become vacant remain rent stabilized. The average number of vacancies in stabilized apartments each year is about 100,000. New York has had luxury decontrol for 16 years, meaning that in that time there have been approximately 1.6 million vacancies of rent-regulated apartments. That's more than the entire number of such apartments.

If tenants' claims that we presently have a system that is effectively one of vacancy decontrol were true, then there would be no rent-regulated apartments remaining. This is clearly not the case. In fact, there are almost 1.1 million rent-regulated apartments today, only very slightly fewer than in 1994, when the luxury-decontrol program started.

Kudos to the Senate Housing Committee for some clear thinking and for acting on it.  
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