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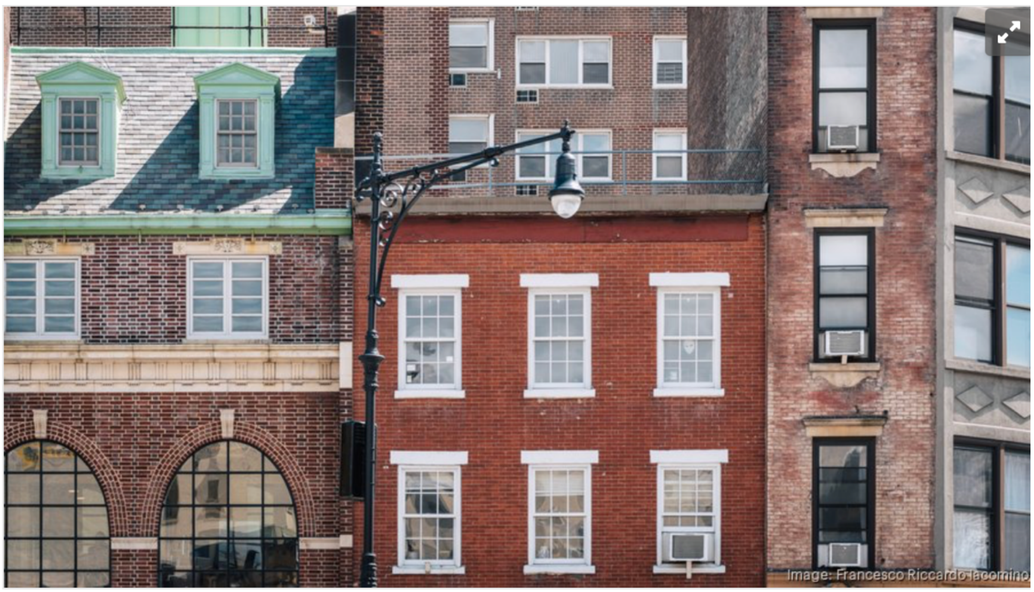
New York City rent freeze and 'Rental Ripoff Report' face landlord scrutiny



With Manhattan rents hitting $5,295, a rent freeze and proposed rental reforms aim to help New York City tenants — but property owners warn of unintended consequences.
FRANCESCO RICCARDO IACOMINO VIA GETTY IMAGES

By Emily Feil – Intern, New York Business Journal
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New York Mayor Zohran Mamdani's pro-tenant campaign promises are becoming reality with a historic rent freeze passed by the city's Rent Guidelines Board in June and the release of the administration's “Rental Ripoff Report” in July, which includes policies ranging from higher building violation fees to the recognition of tenant unions.

With the median Manhattan apartment rent reaching a record $5,295 in June, according to Corcoran, affordability is top-of-mind for New Yorkers. But while the rent freeze and rental reforms have been well received by tenant advocacy groups, landlords argue the policies could undermine building maintenance and discourage investment — potentially worsening the city's housing supply challenges.

On July 22, a group of landlords sued the city over the rent freeze, claiming that Mamdani influenced the New York City Rent Guidelines Board, which is supposed to act independently from City Hall, The Wall Street Journal first reported.

The landlords who sued cited a City Hall presentation made to board members about the cost of living in New York as a source of outside influence. They also pointed to the fact that landlord representative Christina Smyth resigned in protest the morning of the vote, saying the board had crossed a "legal line" by ignoring evidence of rising costs for landlords.

“The Rent Guidelines Board is an independent body. We are confident that the board evaluated all of the relevant data and considered the factors facing both tenants and landlords across New York City. The Law Department is prepared to defend the RGB’s decisions,” a City Hall spokesperson said in a statement to the New York Business Journal.

“The Mamdani administration remains committed to the success of the rent-stabilization system which has prevented displacement and provided stability to generations of New Yorkers,” the spokesperson added.

Ann Korchak, board president of the Small Property Owners of New York, a volunteer-based landlord advocacy group, was not surprised by the RGB’s decision to freeze rents, but she called the two-year freeze unexpected and reckless. This freeze is the first to apply to both one-year and two-year leases.

“[Mamdani] was really consistent in his message about freezing the rents,” Korchak said. “I feel like we were political pawns in this political promise he made.”

Korchak’s husband’s family owns two properties on the Upper West Side, comprising both rent-stabilized and market apartments. She said that their market-rate apartments make up for the operational shortfall from their rent-stabilized units, but noted that owners of totally stabilized buildings “don’t have that pressure relief valve.”

Their brownstones, which she said are about 130 years old, require frequent maintenance and investment. The rent freeze has slimmed the margins for maintaining the properties, she said, adding that major capital improvements are already innately difficult because of their potential to disturb tenants.

John Horowitz, Northeast executive managing director at Marcus & Millichap, noted that rent-stabilized apartments are becoming increasingly vacant due to high operating costs. In 2016, 3.7% of rent-stabilized apartments sat vacant, according to The City Reporter. Now, the rate has climbed to 5.7%.

“You’re going to see the condition of rent-stabilized buildings writ large continue to decrease, because it’s hard to incentivize an owner to want to put money into a building where they can’t increase the rent and their expenses go up,” Horowitz said. He noted that he believes the solution to rising rents is to increase unit supply, and that the freeze may hinder that process.

But for Andrea Shapiro, director of programs and advocacy at the Met Council on Housing, a tenants’ rights organization, the rent freeze felt necessary. “This is something that tenants really need,” she said. “Two years of rent freeze really lets a lot of people refind their footing, and we need to do more because apartments are still unaffordable.”

Shapiro pointed to Rent Guidelines Board statistics, which show that landlords of rent-regulated apartments saw their net operating income increase 6.2% between 2023 and 2024. Adjusted for inflation, NOI rose 2.2%. This is the third year in a row NOI has increased.

New York City rent freeze followed by tenant housing reforms plan

Shortly after the rent freeze, which will take effect in October, City Hall released the “Rental Ripoff Report.” Based on five hearings where tenants shared their housing struggles, the report proposes a number of reforms to improve living conditions for tenants.

These include a push to increase inspections for heat-related complaints, install small elevators in buildings, officially recognize tenant unions, and rethink the use of credit and income checks.

Maria Beltrani — a partner at Schwartz Sladkus Reich Greenberg Atlas LLP who has practiced landlord-tenant and real estate litigation for more than 30 years — said that she was not surprised by the issues cited by tenants in the report.

But she said the report was vague, did not do much to address or change longstanding tenant issues and may be painting an inaccurate picture of renting in New York City.

“I read the report a couple of times and came away with the feeling that the city of New York buildings are really falling apart,” she said. “You have to put it in perspective. No tenant that’s happy in their building because it’s well maintained is attending these hearings.”

Beltrani added that she believes there shouldn’t be “a war between landlords and tenants” and that proposals such as requiring only one proof of income, instead of both a credit and income statement, are unfair to landlords who need to assess tenants’ ability to pay.

But Shapiro sees the "Rental Ripoff Report" as a way of leveling the playing field for good landlords who already communicate actively with their tenants and maintain their buildings. In her 10 years of experience working with tenants, she said she has noticed the same bad actors, and the administration's interest in cracking down on bad landlord practices is promising.

"In hopefully five years, we won't be having the same conversation about the same landlords, and we can move on to helping other people," she said.