



Legislation Text

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Res. No. 794

Resolution calling on the New York State Legislature to pass, and the Governor to sign, A.2619/S.2433, which would limit rent increases for residential ground lease cooperative apartment buildings and provide certain rights to such cooperatives

By Council Members Ung, Lee and Banks

Whereas, A ground lease is a long-term agreement with a duration of up to 99 years wherein a property owner leases land to a tenant who owns a building located on that land; and

Whereas, There are over 10,000 households living in cooperative apartment buildings with a ground lease in New York City, with most of these households located in the boroughs of Manhattan and Queens; and

Whereas, Shareholders of ground lease cooperatives are responsible for paying the ground lease rent, which, depending on the terms of the lease, may be periodically adjusted to equal a percentage of the fair market value of the underlying land; and

Whereas, Such rent adjustments typically happen on an infrequent basis, but can expose shareholders to sudden significant increases in rent when movements in the real estate market, in between adjustments, increased the underlying land's value precipitously; and

Whereas, Cooperatives with ground leases near the end of their term are particularly vulnerable to large rent increases, because there is no limit to the amount of rent that can be demanded by a land owner, and because tenants are unable to move their building from the land upon which it sits and have no right to renew their lease, which increases a land owner's bargaining power during lease renewal negotiations; and

Whereas, Some cooperatives are facing potential rent increases of over 600% upon expiration of their ground lease, which threatens these cooperatives' viability and may lead residents to lose their homes as well

as much of the value of their cooperative shares; and

Whereas, As a result of these factors, some financial institutions are unwilling to approve mortgages for cooperative apartments nearing the renewal date of a ground lease, which makes it harder for shareholders to sell their apartments, potentially preventing residents from moving or forcing them to accept offers that are below market price; and

Whereas, A.2619, sponsored by State Assembly Member Linda B. Rosenthal, and companion bill S.2433, sponsored by State Senator Liz Krueger, would address these issues by limiting annual rent increases for residential ground lease cooperatives to the greater of 3% or the annual percentage change in the Consumer Price Index, establishing a right for such cooperatives to renew their leases when they expire, and providing cooperatives with the right of first refusal to purchase the land underneath their buildings; and

Whereas, A.2619/S.2433 would also grant ground lease cooperatives the right to borrow money against their property, which could help such cooperatives pay for necessary repairs and comply with certain local laws by conducting building upgrades; and

Whereas, Enactment of A.2619/S.2433 would help to ensure that the tens of thousands of New Yorkers living in ground lease cooperatives can avoid both displacement from their home and unreasonable increases to monthly maintenance fees, particularly upon the renewal of a ground lease; now, therefore, be it

Resolved, That the Council of the City of New York calls on the New York State Legislature to pass, and the Governor to sign, A.2619/S.2433, which would limit rent increases for residential ground lease cooperative apartment buildings and provide certain rights to such cooperatives.

AGB
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