

# *Metropolitan Council on Housing*

Met Council, Inc. ! 339 Lafayette Street ! New York, New York 10012 ! 212-979-6238 (staff) ! 212-979-6997 (fax)

November, 2011

## **Comments on Loft Board Rule 2-06 – Interim Rent Guidelines**

The Metropolitan Council on Housing is a membership organization dedicated to the preservation and expansion of New York City's affordable housing stock. For over 50 years we have advocated, educated, and organized around a host of tenants' rights issues. Our current services include a year-round tenants' rights telephone hotline and walk-in clinic, which together serve approximately 8,000 tenants per year, from all neighborhoods and all types of housing in New York City. As the go-to place for tenants' rights, we are uniquely in touch with New York City tenants and the issues facing them, and thus we are pleased to have the chance to share testimony regarding proposed amendments to the loft board's rules.

We believe that the proposed Interim Rent Guidelines - providing landlords a one-shot rent-hike in addition to the milestone increases and pass-alongs already a feature of the loft law – are not justified. The increase would be distinct from those that work as incentives for owners to bring their buildings up to code. Affected landlords will already enjoy an increased property value through the legalization process. The primary effects of the proposed interim rent guidelines, however, would primarily be displacement or hardship for the tenants for whom the law was designed in large part to protect.

### **Context: This is not the 1980s**

The interim rent guidelines enacted in the early 1980s were developed in part because the rents for some loft spaces in lower Manhattan at the time were abnormally low, relative to the rest of the housing market. We have found no corresponding conditions today. Three decades ago the loft-dwelling movement was still in the early stages of being integrated into the mainstream. Today SoHo, TriBeCa, DUMBO, and Williamsburg epitomize chic, and for decades many loft spaces, including in illegally converted buildings in Brooklyn and Queens, have rented at a premium, not a discount. The arrangements in illegally converted units between tenants and landlords regarding amenities and services can vary dramatically from building to building. It's clear, however, that outer-borough lofts covered by the recent expansion of the loft law include a high percentage of units that were advertised through traditional channels, and marketed and represented as legal dwelling units.

Many tenants in illegal loft buildings who reach Met Council on Housing through our hotline and clinic were unaware of the illegality of their apartments when they first rented the spaces, and did not find there to be a 'deal' in such arrangements. As for the loft spaces lacking the basic services of other residential units, our experience shows there to be a ready market of individuals willing to accept those terms as well, and not for bargain-basement prices either.

### **The base rent *is* the market rent**

The recent expansion of the loft law will impose a regulatory framework for rent-levels going forward. Buildings will enter the rent stabilization system, which already covers the majority of New York City's multi-family rental housing stock. The notion that a 'one shot' rent increase is warranted to bring the units closer to 'market' prices, however, suggests a misunderstanding of the concept of a market, and the purpose of regulating rents. Prior to the expansion of the loft

# *Metropolitan Council on Housing*

Met Council, Inc. ! 339 Lafayette Street ! New York, New York 10012 ! 212-979-6238 (staff) ! 212-979-6997 (fax)

law, there was nothing governing rent levels in the buildings affected by this proposal. The negotiated rent between landlords and tenants for these spaces *was* the market rent, and owners cannot claim to have been burdened or inhibited in maximizing their profits by any government framework, except the zoning and fire codes they flaunted. The current loft law already rewards owners with the 6-8-6 rent increases for reaching milestones in the legalization process, plus additional pass-along rent-increases later for work performed. The interim rent guidelines represent a boost in rent that is not related to building improvement nor to normalizing rent levels in a market where low-rents prevailed.

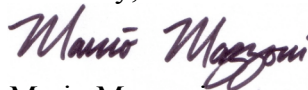
## **Affordable housing is a goal of the legalization**

Debate in the state legislature over the merits of expanding the loft law focused in large part on the law's impact on the city's manufacturing base. By permitting the legal conversion of a significant amount of the city's manufacturing space into residential space, the city is further crippling its manufacturing sector, which has been increasingly driven out of center-city neighborhoods. Manufacturing was at one point the backbone of the city's local economy, and with its decline has come the erosion of local industries that are tied to the region. Just as important, manufacturing has historically provided an important source of stable jobs, paying generally higher wages than other industries employing blue-collar workers. The loss of these jobs has played a major part in the destabilization of New York's working-class neighborhoods.

The loft law was expanded in part out of recognition that economic trends favoring residential uses over manufacturing uses were already in the works. The wide-scale use of these buildings as illegal apartments indicates this demand. Nonetheless, from the public policy perspective, this is one of the consequences to legalization. One crucial way to mitigate these effects is the preservation of affordable housing, - another essential component of economic stability for working-class families. A one-shot rent increase would severely undermine this goal, which was an essential feature of the loft law in its inception and its recent expansion.

The Metropolitan Council on Housing finds the proposed interim rent guidelines a sabotage of the spirit and purpose of the legislation expanding the loft law. We recommend that these proposed guidelines are rejected completely.

Sincerely,



Mario Mazzoni  
Executive Director