

TENANTS & NEIGHBORS

WHAT HAPPENED AT STUYVESANT TOWN/PETER COOPER VILLAGE? WHAT ARE THE IMPLICATIONS OF ROBERTS V. TISHMAN SPEYER?

In October of 2009, the Court of Appeals ruled that the owners of Stuyvesant Town/Peter Cooper Village had improperly deregulated thousands of rent regulated apartments while receiving a J-51 tax abatement. This decision does not just affect tenants in Stuy Town; it affects tenants in all apartments that have been improperly deregulated while the owner was receiving a J-51 tax abatement. This fact sheet provides background information about what happened at Stuyvesant Town/Peter Cooper Village and what the implications the Roberts v. Tishman Speyer ruling are.

I've heard a lot about Stuy Town in the news lately. What is Stuy Town?

Stuyvesant Town-Peter Cooper Village, commonly known as Stuy Town, is a large rent regulated complex between 14th Street and 23rd Street on the East Side of Manhattan. It was planned in 1943 and the first tenants moved into the complex in 1947. It includes 56 residential buildings, 11,200 apartments, and is home to over 25,000 residents. Because many of the apartments in Stuy Town have been protected by rent regulation for over fifty years, it has been considered one of the last bastions of the middle class in Manhattan. Over 800 residents of Stuy Town have been members of Tenants & Neighbors over the years.

What does it mean to be protected by rent regulation?

There are approximately one million rent regulated apartments in New York. If you pay less than \$2,500 in monthly rent and live in a building with 6 or more apartments that was built before 1974, your apartment is probably rent regulated.

Rent regulation, New York's largest affordable housing program, was created because there was a severe housing shortage. It was found that there was a "serious public emergency in the housing of a considerable number of people in New York City, and that this emergency necessitated the intervention of governments in order to prevent speculative, unwarranted, and abnormal increases in rents." That housing shortage still continues today.

There are two forms of rent regulation in New York. Under rent stabilization, rent increases are determined by the Rent Guidelines Board (RGB), which is charged with

determining a fair or reasonable rent increase, rather than by individual landlords, who might be inclined to exploit tenants' vulnerability in a market characterized by chronic scarcity and instability. In addition to protecting tenants from abnormal rent increases, rent regulation also affords tenants protection from eviction without cause and the right to receive basic services and repairs. A much smaller number of apartments are subject to rent control, an older system where rent increases are determined by the Division of Housing and Community Renewal (DHCR)

Why was Stuy Town losing its affordability?

In recent years, predatory equity speculators have been buying up affordable rent regulated housing throughout New York City with the intention of forcing out the low and moderate income tenants, deregulating their apartments and converting them to market rate or luxury housing.

The primary way in which they have deregulated apartments is through vacancy decontrol, a provision in the law that allows owners to take apartments out of rent regulation when the legal regulated rent reaches \$2,500 per month or more and the apartment becomes vacant.

In order to get rents to the \$2,500 threshold, irresponsible landlords do everything from applying for fraudulent Major Capital Improvement rent increases to pressuring the Rent Guidelines Board, which determines rent increases for renewal leases on an annual basis. And in order to get the apartments vacant, landlords harass tenants by failing to provide essential repairs or services, taking tenants to housing court repeatedly for baseless nonpayment of rent cases, threatening them, or worse.

As the largest rent regulated development in New York, Stuy Town was at incredible risk of acquisition and deregulation through vacancy decontrol by unscrupulous predatory equity investors.

Was Stuy Town acquired by a predatory equity speculator?

Yes. In 2006, predatory equity investors Tishman Speyer bought Stuy Town from Met Life for \$5.4 billion. They outbid the tenants, who had put together their own bid to purchase the property from Met Life. Tishman Speyer's purchase of Stuy Town was largest residential real estate transaction in United States history. The purchase price was wildly speculative- when the building was acquired, the income from the rent rolls covered only 58% of the monthly mortgage payments on the property. And the new owners planned to spend an additional \$150 million on new amenities and upgrades.

If they knew that the rent rolls only covered 58% of the monthly mortgage payments, what was Tishman Speyer thinking?!

Tishman Speyer's investment was predicated on forcing out the low and moderate income rent regulated tenants in the development and converting their homes to high rent luxury housing. After acquiring the building, Tishman Speyer began to systematically deregulate apartments; in less than three years, they increased the number of deregulated apartments from about 3,000 to 4,400, over a third of the development. When these apartments were deregulated, they were permanently lost as affordable housing. The tenants who lived in those apartments would not have the important protections of rent regulation. And Tishman Speyer was free to raise the rents as high as they wanted.

Tishman Speyer made major renovations to the development and began marketing it as luxury rental housing, trying to attract tenants with higher incomes than the tenants they had forced out as well as young college graduates who would be willing to double and triple up in an apartment in order to afford the high rent. In the summer of 2007, Tishman Speyer raised rents on the market-rate apartments to an incredible \$3,055 for a one-bedroom.

Why wasn't this plan successful?

This was not only the largest real estate transaction in United States history; it was also perhaps the most irresponsible. And not just because it was predicated on the displacement of thousands of tenants and systematic elimination of the affordable housing and tenant protections that New York so desperately needs. The moment Tishman Speyer paid \$5.4 billion for Stuy Town they set into motion the destabilization of one of New York's largest and most successful affordable housing developments, putting the entire complex at risk of financial failure and foreclosure.

Although Tishman Speyer succeeded in forcing many families out, they were much less successful in this effort than they had assumed they would be. Many tenants and advocates believed that the purchase price was so high that there was no way Tishman Speyer could ever make enough to pay back the incredible amount of debt on the property. And we were right.

The rents Tishman Speyer charged ended up being higher than the market would bear. While some new tenants moved in and paid the extremely high rents they were charging, Tishman Speyer was not able to attract enough of these tenants, and many apartments ended up vacant. By the summer of 2009, Tishman Speyer was using up the complex's financial reserves at an alarming rate and many feared that financial failure was imminent. In September of 2009 it was reported by Bloomberg News that the value of the Stuyvesant Town-Peter Cooper Village apartment complex had fallen by more than \$3.2 billion and that Tishman Speyer and its partners were headed toward defaulting on their loans.

What was the recent court decision about Stuy Town all about?

The tenants at Stuy Town did not only believe that it was unethical for Tishman Speyer to have displaced so many families and deregulated so many apartments, they also believed that it was unlawful.

This is because the Tishman Speyer- and the former owner, Met Life- had deregulated apartments while receiving a J-51 tax abatement from the city. The J-51 program, administered by the NYC Department of Housing Preservation and Development (HPD), grants partial tax exemption and abatement benefits to owners to encourage the renovation of residential properties. The tenants' view was that that the owners should not have been able to deregulate apartments while receiving this abatement, and that the Division of Housing and Community Renewal (DHCR) had been misinterpreting the law when they permitted the deregulation.

On March 5, 2009, in *Roberts v. Tishman Speyer Properties*, a court case brought by the tenants, judges from the Appellate Division of the New York Supreme Court ruled that owners of properties receiving a J-51 tax abatement cannot deregulate rent regulated apartments. Tishman Speyer appealed this decision, but on October 22, 2009, the ruling was upheld by the Court of Appeals. Tishman Speyer had illegally displaced thousands of rent-regulated tenants from their homes.

This decision does not just affect the tenants in Stuy Town; it affects tenants in all apartments that have been improperly deregulated while the owner was receiving a J-51 tax abatement. Estimates of how many apartments may be affected by this decision range from 80,000 to 200,000.

What are the implications of this decision for the tenants of Stuy Town and for Tishman Speyer?

Because of the court's decision, many of the units in Stuy Town that were deregulated while the owners were receiving J-51 tax abatements will now be re-regulated. Most likely, their rent will also be reduced, potentially to the legal regulated rent at the time the apartment was deregulated, plus any annual rent increases and any additional increases permitted when an apartment became vacant in the past. The lower courts still have to determine whether the decision will be applied retroactively and whether tenants will also be compensated for the amount they were improperly overcharged; it is not yet clear when this decision will be made.

The ruling in *Roberts v. Tishman Speyer*, while a great victory for affordable housing preservation and tenants' rights, makes the question of how Tishman Speyer and their partners will address the severe overleveraging of the property all the more urgent.

Is it possible that this court decision affects me? How can I find out if my apartment was improperly deregulated?

If you live in building with six or more apartments that was built before 1974 and you are not covered by rent regulation, you should to try to determine if your apartment was improperly deregulated. To make this determination, you can take the following steps:

- 1) **Figure out if your apartment was ever rent regulated and what the rental history is.** If your apartment is or used to be rent regulated, the Division of Housing & Community Renewal (DHCR) will have a record of the legal regulated rents dating back to 1984. This is known as an “apartment rental history” There are two ways to get your apartment’s rental history. You can call DHCR at 718-739-6400 and give them your complete exact address. They will mail the rental history to your apartment. Alternately, you can go to your borough’s DHCR office and request the rental history in person. If you go in person to DHCR you must bring a piece of identification and a document which ties you to the apartment (lease, phone bill, driver’s license, etc.) To find your borough DHCR office, call DHCR or go to www.dhcr.state.ny.us.
- 2) **Figure out if your owner has received a J-51 abatement in the last four years.** The New York City Department of Finance (DOF) publishes a list of all properties that receive the benefits of J-51. To determine if your building currently has a J-51 tax abatement, you can download a PDF or Excel document from the DOF’s website and search for your address. Go to www.nyc.gov/html/dof/html/property/property_tax_reduc_j_51.shtml. Or, if you know the Block and Lot numbers for your building you can search through this link: <http://webapps.nyc.gov:8084/cics/cwba/dfhwbttta/abhq>. Block and Lot numbers can be obtained by visiting the HPD website at www.nyc.gov/hpd. The PDF and Excel documents only list the properties which had a J-51 at the time DOF produced those lists. To determine whether your property received J-51 benefits in previous years, you must search according to the Block and Lot function and look up each tax year separately.

If it appears that your apartment was deregulated while the owner was receiving a J-51 tax abatement, you may be able to get the apartment re-regulated. Contact Tenants & Neighbors for more information.

It seems that Tishman Speyer’s business plan was predicated on the displacement of long time tenants. What can I do to prevent this from happening in my building?

Stuy Town’s financial predicament is primarily the result of Tishman Speyer’s overpayment for and overleveraging of the property. The court’s decision on the J-51 restriction has made their situation worse, but the fact remains that Stuy Town was headed for default and either foreclosure or loan restructuring even before the decision. Simply put, predatory equity speculation is a threat to all buildings that were bought and overleveraged during the real estate boom – not just those affected by J-51.

Ultimately, we must eliminate the incentive for predatory equity firms to acquire affordable housing and displace tenants. That begins with repealing vacancy decontrol and other deregulation provisions. Join our campaign to strengthen the rent laws! For more information about how you can get involved, contact Sam Stein, our Rent Regulation Campaign Manager, at 212-608-4320 extension 316 or sstein@tandn.org.