



MEMORANDUM IN OPPOSITION

TITLE OF LEGISLATION:

S.2892B (Salazar)/A.5030B (Hunter) Relates to prohibiting eviction without good cause.

SUMMARY OF PROVISIONS:

This legislation will prohibit the eviction of a residential tenant or the non-renewal of residential leases without good cause.

REASONS FOR OPPOSITION:

Association For a Better Long Island (ABLI), leading regional economic development advocacy groups, strongly oppose this legislation. Lease terms are essential in the renting process. Space may be leased for six months, a year, etc., with the knowledge that there is an event on the horizon which may necessitate a non-renewal (Ex. A sale of the property, a forthcoming significant renovation, demolition of a building, etc.). The proposed law would prohibit an owner from having the ability to do any of the foregoing. A tenant can hold the owner indefinitely as cause for non-renewals are specific and limited. Nothing restricts a tenant from negotiating a longer-term lease upfront, but the owner is severely restricted. Another issue is tenants who are well past problematic (Ex. Criminal activity, harassment, etc.) who could manipulate the legal system to severely delay an eviction. During this time the neighbors at the property and surrounding area are forced to deal with the tenant.

The decrease in value will be detrimental to the owner, but it will also negatively impact local governments whose real estate tax revenues would plummet if values decrease. Local governments cannot afford to have taxes reduced from multifamily properties. If this were to occur, they would need to increase tax rates which directly impact homeowners. Looking at the proposed legislation in its entirety, in the end, the homeowner will be negatively impacted by a law that relates to rental property.

Additionally, an unintended consequence that may impact the owners of properties is when scammers rent out a vacant home to an individual. The "tenant" who rented from the scammer will have been paying rent. And when the true owner tries to remove them, the tenant will claim that they have been paying the rent and will, therefore, continue to pay. How will the courts view a circumstance such as the example provided? The situation described is more common than most people think. The time it would take if a protracted court battle were to be triggered should be considered.

The good cause eviction act seeks to cap the amount at which rents can be renewed to 1.5 times the inflationary rate (If applied this year, the rate would be approximately 2.5%). Renewal rates at that level will cause serious harm to building owners, contractors/suppliers, the local government and the economy. Also, the Consumer Price Index language isn't beneficial since we are at a preferred economic time of minimal unemployment and rising salaries. The calculation yields a product that doesn't exceed the 3% limit. The Consumer Price Index for 2019 was 2%. The CPI calculation of $2\% \times 1.5$ and the 3% limit are the same.

Run-down buildings won't be renovated since building owners will not get the rent growth needed to justify the capital investment. It will be devastating to contractors and suppliers if building owners slash spending on improvements. The property value of these buildings will decrease if the owners cannot increase rent to meet expenses. Why would a landlord spend money updating or improving property in a value-add situation, or simply as part of normal business if their return is capped? Instead, there should be a focus on code enforcement. There will also no longer be individuals that take run-down properties (Typically surrounded by homeowners) and choose to re-develop them. They will be unable to due to the limited ability to raise rents to appropriate levels. There are many local governments and civic organizations that greatly appreciate the redevelopment that has been done to buildings.

Long Island has seen on average rent increases in excess of 4%, therefore 3% should not be seen as unreasonable. The limit is incongruent with the operational costs of a building. There is no consideration that maintenance costs of buildings differ depending on building construction type, installed equipment, building age, operational characteristics, etc. It is not atypical to lease-up a property with concessions, stabilize it, then push rent to the extent the market will bear. The market is efficient and finds a natural equilibrium and legislation is not necessary to govern the free market. If the increase is over 3% and the tenant disagrees, there is no recourse whatsoever and it devalues properties.

It is also inconsistent with financing conditions of the building such as tax abatement burn off, financing rates, etc. Consider that a rental building facing limitations on market rent increases that has no commensurate limit on market operational expenses. This may not be financially feasible and may render the building financially insolvent. It also has the potential to upend any financial model for new building development. It will result in the stalling of economic benefits realized through the development of new rental projects.

Association For a Better Long Island are in strong opposition to the proposed legislation.