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Landlord Raised Rents for Renovations Never Done, Lawsuit Says

By KIM BARKER JULY 25, 2017

Randy Garcia thought she might be paying too much for her rent-regulated apartment in Washington Heights in Manhattan: about \$1,800 a month. It was more than she could afford with her job handling medical records.

Eventually she asked the state for a history of rent increases on the apartment.

She learned that the landlord, Bronstein Properties, had almost doubled the rent four years earlier, to \$1,425 from \$761.70. To justify such an increase under the law, Bronstein would have needed to perform more than \$30,000 in renovations when the apartment was vacant.

But Bronstein, one of the city's largest landlords, had not filed a building permit for any work, which would be necessary for most renovations. And Ms. Garcia was dubious that anything had been done.

"For the amount of money I'm paying, I should be living in a palace," said Ms. Garcia, 49, who lives with her daughter.

On Tuesday afternoon, more than 60 tenants, including Ms. Garcia, filed a class-action lawsuit against Bronstein Properties claiming that the company has inflated rents in regulated apartments higher than legally allowed by falsely claiming to have performed renovations in vacant apartments. Bronstein, which is based in Queens, owns more than 100 buildings with rent-regulated apartments, mainly in neighborhoods that have not gentrified.

A representative of Bronstein Properties said that the company had no comment because it had not yet seen the lawsuit.

The rent for regulated apartments can only be increased a certain amount every year. They are the city's largest affordable-housing program — making them one of the only ways that many people can afford to live in New York City these days. Roughly 1 million apartments, or almost half the city's rental stock, are supposed to be regulated.

Landlords are allowed to pass on the cost of renovations, such as redoing a bathroom or buying a new stove, to new tenants through rent increases. They are not allowed to increase the rent for non-
 apartment, or for repairs.

A tenant must know to ask for his or her rental history to see what a landlord claims; otherwise, rent histories are not public record. But the state's Division of Housing and Community Renewal, which oversees rent-regulated apartments, only asks for proof of improvements if tenants complain. Otherwise, the state just takes a landlord's word for what was done.

“Not surprisingly, some landlords — such as Bronstein — have taken advantage of the lack of transparency and oversight,” the lawsuit says.

Lucas Ferrara, one of the tenants' lawyers, said that the case shows that the system governing rent-regulated apartments is broken.

“The honor system has not worked nor has it served New York City tenants well,” he said.

The lawsuit was spurred by the work of a new nonprofit, the Housing Rights Initiative, which aims to systematically determine whether landlords charge too much money for rent-regulated apartments. Volunteers and workers knock on tenants' doors and ask them to request their rental histories. They then help build cases against landlords believed to have increased rents without justification.

In the group's first 17 months, Housing Rights Initiative has helped put together class-action lawsuits against major landlords like Stellar Management, A&E Real Estate Holdings and the Parkoff Organization.

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This lawsuit said Bronstein has claimed to have performed apartment improvements to justify rent increases of as much as 141 percent. Meanwhile, inspections indicate that the work necessary for such increases was never performed.

In fact, the company did not obtain building permits for any of the tenants' apartments, the lawsuit said. Building permits are not always necessary, but they are for major work, such as redoing a bathroom or a kitchen.

At Ms. Garcia's apartment, at 45 Thayer Street, near the northern tip of Manhattan, the wood parquet floor was old. The bathroom's tiles looked old, and the bathtub had not been sealed. For the first few months, rats were almost daily visitors, coming in through unseen holes or through a hole in the bathroom that Ms. Garcia plugged with a steel-wool scouring pad and mints, which rats hate. Mice popped out from a crack on the top of the stove, she said. A window in her daughter's bedroom didn't open; cracks were starting to show in the walls.

At an apartment at 43-32 47th Street in the Sunnyside neighborhood of Queens, the rent was increased in 2015 to \$2,250 from \$933.14. To justify that increase, Bronstein would have needed to spend almost \$68,000 on improvements. Yet the apartment's two-bedroom layout remained the same as before the renovations, former tenants said.

At a studio apartment in 309 W. 57th St. in Manhattan, the rent more than doubled, to more than \$2,500 from \$932.65. At the time, in 2014, \$2,500 was the threshold between regulation and the free market. To justify such an increase — and, therefore, deregulating the apartment and raising the rent much higher — Bronstein would have needed to spend almost \$83,000 on renovations.

"There were no gold faucets," Aaron Carr, the founder and executive director of Housing Rights Initiative, said. "When you're claiming \$80,000 in improvements in a 400-square-foot studio, it better look like the Trump hotel."

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