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Blackstone halts Stuy Town upgrades in wake of rent-regs overhaul

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A sign for the northwest oval is seen in Stuyvesant Town-Peter Cooper Village, Manhattan's largest apartment complex.

The **Blackstone Group** is pulling back on **apartment renovations and other planned work** at Stuyvesant Town and Peter Cooper Village in response to the sweeping changes to the **state's rent-regulation laws passed by Albany** legislators last month.

The private-equity giant said it would pause projects at the adjacent complexes as a result of the rule changes, which dramatically limit the rent increases landlords can charge tenants to cover the costs of renovations and repairs.

"In light of the recent legislation, we are in the process of evaluating capital investments at Stuy Town," a spokeswoman for Blackstone said in a statement issued to Crain's.

A source with direct knowledge of Blackstone's plans for the sprawling properties, which together count more than 11,000 units, said that renovations to vacant units would stop, as would potentially larger construction projects. Urgent maintenance such as repairs to fix leaks or hot water service—which is required by law—will continue to be made, the source said.

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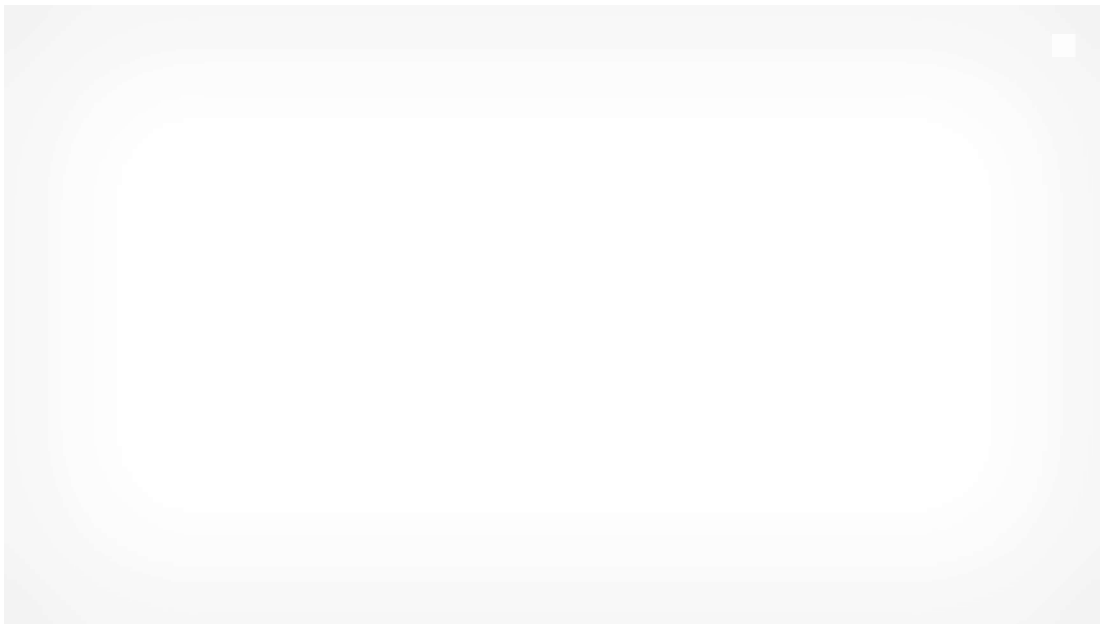


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Blackstone's spokeswoman declined to identify any specific renovations that would be halted. Department of Building records show that Blackstone, in recent months, has renovated or is in the process of upgrading several apartments that likely had become vacant.

Before the recent changes to rent regulations, landlords could reap significant returns from making individual apartment upgrades. A roughly 20% rent increase could be added when a unit was vacated and owners of buildings with more than 35 units could increase the monthly rent for an apartment by 1/60th the cost of its renovation and by 1/40th in buildings with 35 or fewer units. **Building owners often used those increases to push up rents significantly** and convert affordable apartments to market rate.

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The new rent regulations did away with the 20% vacancy bonus and limited the amount of money that landlords could spend on renovations to \$15,000 in any 15-year period—dramatically curtailing the rent increases they can reap from apartment upgrades. Landlords have complained that the rule changes discourage investment in the city's affordable-housing stock.

Susan Steinberg, president of the tenants association for Stuyvesant Town and Peter Cooper Village, told Crain's that she had heard of work stoppages but hadn't yet received details of what jobs would be affected.

"I intend to ask the property management," Steinberg said. "I have no doubt they're considering their strategy under the new rent laws."

Landlords were also limited by the new rules on what rent increases they can charge for major capital improvements, such as the installation of new roofing, boiler systems or common-area upgrades. Those investments previously could be recouped by increasing tenants' rents buildingwide by as much as 6%. The new rules limit the increases to 2% a year.

It wasn't immediately clear if Blackstone was in the midst of any MCI work or if it would halt those jobs as well. But Steinberg said that rent increases for MCIs had generally been modest at the complex in the past.

"We have so many units that the rent increases for each tenant was spread among so many that it was generally pretty low," Steinberg said.

Blackstone purchased Stuyvesant Town and Peter Cooper Village for \$5.5 billion in 2015.

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6SJ7 • a day ago

The return to the dangerous days of housing decay and abandonment is starting. Get used to it.

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PerryR → **6SJ7** • a day ago

not true - bad slumlords are still around and were around all along

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PerryR • 2 days ago

These properties were top of the line both in the Apartment spaces the have and the rents they were charging.

Not necessarily affordable housing. The reality is the MCI improvement were a sneaky way to permanently jack up

Apartment rents while making necessary Maintenance and Repairs and improvements to an entire building structure.

MCI increases were in many instances Exorbitant and over the top charges.

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Mel Vin → **PerryR** • 2 days ago • edited

No, major capital improvements are necessary to properly maintain old buildings. Both owners and tenants are screwed by the new rent laws.

Only foolish socialist Dems who don't understand or care how capitalism works can possibly be happy with this outcome. Even the tenant rep at Stuy Town said prior MCI increases had been small. So who benefits now? Unfortunately NY voters elected morons to lead us.

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PerryR → **Mel Vin** • 2 days ago

what dishonest Lanlords were doing either intentionally or in error was making normal building repairs and fixes and charging the Tenants and stating these were MCI improvements doing this to get increased rents over and above what they were entitled to.

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brklynmind • 2 days ago

This will be essentially standard now. There is no incentive to do apartment improvements upon vacancy if the apartment is in sufficient condition to support the legal rent. (i.e. low rents = tired apartments)

There is also no incentive to do cosmetic improvements to apartments or complexes as you can