

NEW YORK APARTMENT LAW

insider

Building Compliance Simplified

DHCR Updates Reasonable Cost Schedule for MCIs

The list of improvements and installations that may qualify as an MCI has been expanded.

On Jan. 8, the DHCR issued its fourth update to Operational Bulletin 2021-1. When the Housing Stability and Tenant Protection Act (HSTPA) was enacted, it directed the DHCR to create a schedule of reasonable costs associated with major capital improvements (MCIs). The document is updated annually to respond to

market changes of various capital improvement costs.

When owners make improvements or installations to a rent-regulated building, they can apply to the DHCR for approval to raise the rents of the regulated apartments. An MCI allows an owner to receive a rent increase for completing a major building-wide

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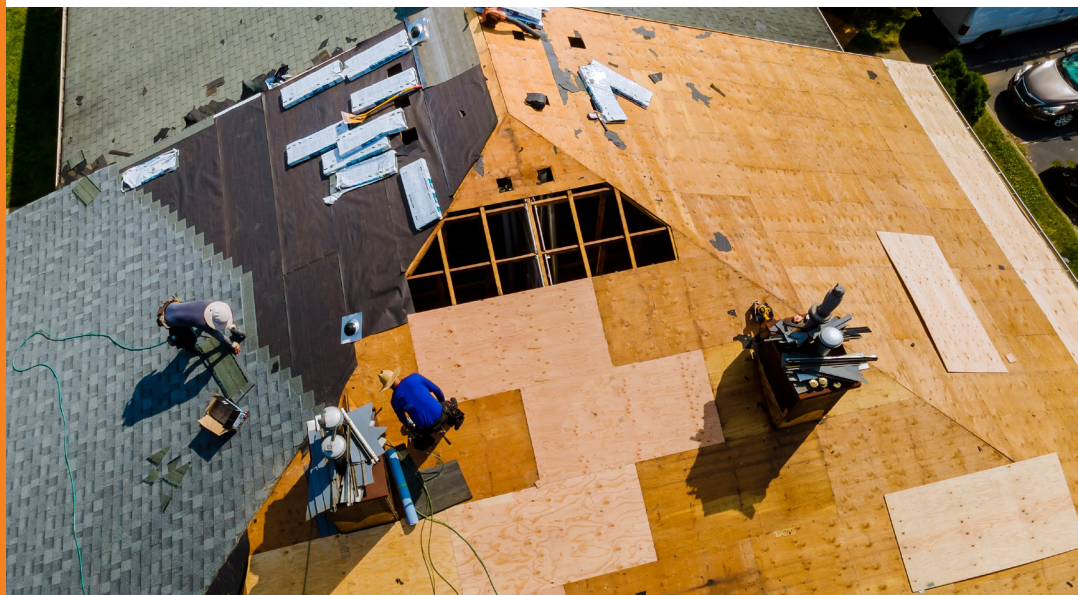
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improvement. It provides a financial incentive for owners to continue investing in their buildings. As part of the application process, owners must submit an itemized list of work performed with a description or explanation of the reason or purpose of such work. Only costs that are actual, reasonable, verifiable, and eligible may be approved for a temporary MCI rent increase.

When the improvement or installation meets certain requirements, it will be considered an MCI. Some examples of MCI items include boilers, windows, electrical rewiring, plumbing, and roofs. To qualify as an MCI, the improvement or installation must:

- Be depreciable pursuant to the Internal Revenue Code, other than for ordinary repairs;
- Be essential for the preservation, energy efficiency, functionality, or infrastructure of the entire building;
- Directly or indirectly benefit all tenants; and

- Meet the requirements set forth in the useful life schedule contained in the applicable rent regulations.

The passage of the HSTPA greatly limited rent increases owners could get for MCIs and increased oversight by the DHCR. Before the HSTPA, MCI rent increases were permanent and were added to an apartment's base rent. Now, MCI increases are temporary and must be removed from the rent 30 years after the date the increase became effective, inclusive of any increases granted by the local rent guidelines board. In addition, the HSTPA made the following changes with regard to MCI rent increases:

- MCI increases may be granted based upon reasonable costs.
- MCI increases are prohibited for buildings with 35 percent or fewer rent-regulated units.
- MCI increases are prohibited if there are hazardous violations on file with

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the local municipality in addition to immediately hazardous violations.

- Buildings with 35 or fewer units are amortized over 12 years; buildings with more than 35 units are amortized over 12.5 years.
- MCI increases are capped at 2 percent per year.

To help owners understand what reasonable costs are for MCI work, the DHCR has released this update to the reasonable cost schedule for MCI-eligible items. The reasonable cost schedule provides a maximum cost that can be approved for eligible MCIs. The costs reflected on the schedule include installations that are MCI eligible and such related costs that are necessary and required to complete the installation of the eligible MCI item.

Maintenance costs or cosmetic costs that aren't necessary for the eligible MCI item or costs unrelated to the eligible MCI item are not included in the schedule. And not every item on the schedule is considered an eligible MCI item in and of itself; some are for items considered necessary and related expenses to eligible MCI items. Only items that are either MCI eligible or necessary related expenses are included in the approved costs for an MCI rent increase.

Applying for a Waiver

It may be the case that the MCI work you plan to undertake will exceed the costs listed in the DHCR's reasonable cost schedule. For these instances, the DHCR has outlined the circumstances in which an owner may apply for a waiver of the application of the reasonable cost schedule when applying for a temporary MCI rent increase. According to the DHCR, the waiver application must show either:

- Improvements are not identified in the reasonable cost schedule, or are necessarily and appropriately priced higher than those costs listed in the reasonable cost schedule; and such costs are accurate and reasonable under the circumstances; or
- Use of the schedule will cause an undue hardship, and the use of alternative procedures are appropriate to the interests of the owner, the tenants, and the public; and the costs of the improvement are accurate and reasonable under the circumstances.

The owner must request a waiver of the use of the reasonable cost schedule in writing, which must accompany the temporary MCI rent increase application with the requisite information and documentation. If an owner's application for a waiver is denied, the owner's recoupment will be limited to that required by the reasonable cost schedule, or the actual verified costs, whichever is lower, together with such other relief as may be appropriate.

Fourth Update Highlights

This year, the DHCR has expanded the list of improvements and installations that may qualify as an MCI. The DHCR notes that this list is not inclusive of all eligible improvements or installations. In addition, the majority of the items listed show a cost increase from 2024 to 2025.

This year's updated cost schedule will apply to eligible improvements or installations that began on or after Jan. 1, 2025, for items that appeared in the previous cost schedule. And you can find the complete list of improvements and installations with the updated prices per unit at <https://hcr.ny.gov/system/files/documents/2025/01/operational-bulletin-2021-1-update-4.pdf>.

TABLE OF HIGHLIGHTS

Here are a few types of improvements or installations that may qualify as an MCI that are newly listed for this update (designated with a *) or have experienced a price freeze or slight decrease from last year's cost schedule.

Chimney

■ Counter Flashing at Chimney*	\$31 per linear foot
■ Chimney Cap*	\$1,647 per cap

Doors

■ Apartment Entry – Full Frame Steel Door	\$4,409 per door to unit
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Exterior Restoration/Façade

■ A/C Sleeve – Replacement	\$1,049 per replacement
■ Balcony Coating Top Side	\$14 per square foot
■ Balcony Drains*	\$547 per drain
■ Balcony Replacement – Concrete & Rebar	\$269 per square foot
■ Rail Post Installation/Repair@Balcony*	\$383 per rail post
■ Beam Reinforcement – Steel*	\$131 per linear foot
■ Beam Reinforcement – Wood*	\$31 per linear foot
■ Brick Stitching*	\$54 per linear foot
■ EIFS (Exterior Insulation Finishing System)*	\$29 per square foot
■ Expansion Joints*	\$32 per linear foot
■ Flange Reinforcement*	\$399 per linear foot
■ Grout/Cement Filing/Sealant*	\$12 per linear foot
■ In-Kind Parging Replacement*	\$13 per square foot
■ Limestone Replacement	\$355 per square foot
■ Masonry Pointing	\$22 per square foot
■ Masonry Spandrel Replacement	*\$355 per linear foot
■ Helix Masonry Pins*	\$24 per pin
■ Masonry Anchor Friction Pins*	\$65 per pin
■ Pipe Scaffold*	\$16 per square foot
■ Precast Stone on Window Lintel*	\$124 per linear foot
■ Pressure Washing	\$3 per square foot
■ Siding – Aluminum	\$10 per square foot
■ Siding – Vinyl	\$9 per square foot
■ Spandrel Reconstruction*	\$990 per linear foot
■ Stone Replacement*	\$55 per square foot
■ Tar of Coping Stone*	\$7 per square foot
■ Waterproofing	\$11 per square foot
■ Metal Window Sill Capping*	\$12 per linear foot

Parapet

■ Metal Cladding	\$37 per square foot
■ Parapet Coping and Flashing*	\$39 per linear foot
■ Parapet Flashing*	\$13 per linear foot
■ Parapet Piers*	\$1,252 per linear foot
■ Drip Line (Roofing/Parapet)*	\$6 per linear foot
■ Tar of Parapet*	\$6 per square foot

Plumbing/Repiping

- Backflow Prevention Device w/ Booster Pump \$86,033 per device
- Pipe Insulation \$19 per linear foot

Rewiring/Electrical Upgrading

- New GFI outlet (where none existed before)* \$506 per new GFI outlet

Roof

- Drip Line (Roofing/Parapet)* \$6 per square foot
- Fascia Replacement* \$17 per linear foot
- Flashing \$11 per linear foot
- Full Rip-off Roof \$3 per square foot
- Liquid Applied Membrane Roofing System \$18 per square foot
- New (extensive) Green Roof Shallow \$58 per square foot
- Pull Test* \$8,664 per visit
- Skylights 3'x5' with Screens \$3,387 per skylight
- Attic/Roof Vent Louvers* \$235 per vent louver
- Cockloft Vents and Hoods* \$867 per vent and hood

Security System/Intercom

- Video Intercom \$1,911 per unit

Walkways, Ramps, Stairs

- Courtyards, Driveways, Walkways – Concrete \$16 per square foot
- Flooring – Bamboo \$12 per square foot
- Flooring – Granite \$41 per square foot
- Flooring – Marble \$59 per square foot
- Flooring – Hardwood \$18 per square foot
- Flooring – Vinyl Tile \$8 per linear foot
- Stairs – Exterior \$24,451 per set of stairs

Windows

- Child Guard (with qualifying MCI) \$93 per child guard
- Window Beam* \$125 per linear foot
- Metal Window Capping* \$11 per linear foot

Miscellaneous

- Asbestos Monitoring* \$960 per day
- Chute Door* \$705 per chute door
- Fence Rental* \$15 per linear foot
- Wheelchair Lift* \$74,158 per wheelchair lift

USEFUL LIFE SCHEDULE FOR MAJOR CAPITAL IMPROVEMENTS

When applying for an MCI rent increase, the item being replaced must comply with the Useful Life Schedule outlined by the DHCR. This schedule specifies the expected lifespan of various building components, ensuring replacements are justified and necessary. For major capital improvements not listed below, the owner must submit evidence with the application that the useful life of the item or equipment being replaced has expired. If you need to replace an item before the end of its useful life due to emergencies or other extraordinary circumstances, you may need to apply for a waiver of the useful life requirement.

REPLACEMENT ITEM OF EQUIPMENT	YEARS—ESTIMATED LIFE
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1. Boilers and Burners

a. Cast Iron Boiler	35
b. Package Boiler	25
c. Steel Boiler	25
d. Burners	20

2. Windows

a. Aluminum	20
b. Wood	25
c. Steel	25
d. Storm	20
e. Vinyl	15

3. Roofs

a. 2-Ply (asphalt)	10
b. 3-4 Ply (asphalt)	15
c. 5-Ply (asphalt)	20
d. Shingle	20
e. Single-ply Rubber	20
f. Single-ply Modified Bitumen	10
g. Quarry Tile	20

4. Pointing	15
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5. Rewiring	25
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6. Intercom System	15
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7. Mailboxes	25
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8. Plumbing/Repiping

a. Galvanized Steel	25
b. TP Copper	30
c. Brass Cold Water	15
d. Fixtures	25

9. Elevators

a. Major Upgrade	25
b. Controllers and Selector	25

10. Doors

a. Apartment Entrance	25
b. Lobby/Vestibule	15

11. Water Tanks	
a. Metal	25
b. Wood	20
12. Waste Compactors	10
13. Air Conditioners	
a. Individual Units/Sleeves	10
b. Central System	15
c. Branch Circuitry Fixtures	15
14. Siding	
a. Aluminum Siding	25
b. Vinyl Siding	15
15. Catwalk	25
16. Chimney	
a. Steel	25
b. Brick	25
17. Courtyards/Walkways/Driveways	
a. Cement	15
b. Asphalt	10
18. Fire Escapes	25
19. Fuel Oil Tanks	
a. In Vaults	25
b. Undergrounds	20
20. Water Heating Units	
a. Hot Water/Central Heating	20
b. Hot Water Heater (Domestic)	10
21. Parapets	
a. Brick	25
22. Resurfacing Exterior Walls	25
23. Solar Heating System	25
24. Structural Steel	25
25. Television Security	10

MANAGEMENT BASICS

DOF Publishes FY 2026 Tentative Assessment Roll

Brooklyn experienced the largest market value percent increase for Class 2, at 9.4%.

TAX ASSESSMENT APPEALS MUST BE SUBMITTED BY THE MARCH 3 DEADLINE.

On Jan. 15, the NYC Department of Finance (DOF) announced the publication of the tentative property assessment roll for fiscal year (FY) 2026. The total market value of all New York City properties has reached approximately \$1.579 trillion, a notable 5.7 percent increase compared to FY 2025. According to the DOF, the city-wide taxable billable assessed value, which is the portion of the market value subject to tax rates, increased by 3.9 percent, reaching \$311.2 billion.

The property values for FY26 reflect real estate activity from Jan. 6, 2024, to Jan. 5, 2025, the taxable status date, as well as income and expense information on commercial properties during calendar year 2023 and submitted to DOF in 2024. Property owners can access their tentative assessments through the DOF's Property Information Portal at <https://propertyinformationportal.nyc.gov>.

At this time, the DOF sends each owner a Notice of Property Value (NOPV) estimating their expected tax bill. The release of the tentative assessment roll marks the start of a period during which owners can review and challenge their assessments before the final roll is released in May. The finalized values, combined with tax rates and any applicable exemptions or abatements, will determine property taxes for the fiscal year beginning July 1, 2025.

Values for Class 2 Properties

The total market value for Class 2 properties, which include cooperatives, condominiums, and rental apartment buildings, registered \$396.6 billion, an

increase of \$27.1 billion, or 7.3 percent, from Fiscal Year 2025. The total assessed value increased by 4.8 percent, to \$120.7 billion. Brooklyn experienced the largest market value percent increase for Class 2, at 9.4 percent, and the largest taxable billable assessed value percent increase at 10.7 percent.

Class 2 rentals saw a market value increase of 9.9 percent. The total assessed value increased by 6.4 percent for Class 2 rental apartments. Brooklyn had the largest market value increase at 15.3 percent and the largest taxable billable assessed value increase at 16 percent for rental apartments.

Values for Class 4 Properties

The total market value for Class 4 commercial properties increased by 3.8 percent citywide, to \$339.5 billion. Brooklyn had the largest percent increase in market value at 6.3 percent. The total assessed value for this class of properties increased by 2.9 percent, to \$135.9 billion. Assessed values for citywide retail buildings saw a 1.1 percent increase. And Brooklyn had the largest increase in assessed value at 3.2 percent for retail buildings.

Permitted Valuation Approach

State law requires the DOF to value all Class 2 properties as if they produce income. To determine a building's market value, the DOF uses statistical modeling to calculate the typical income and expenses for properties similar in size, location, age, and number of units. The process varies depending upon

whether a property has more or fewer than 10 units.

Most rental building owners are legally required to file an annual Real Property Income and Expense (RPIE) statement. To determine a rental property's market value, DOF uses income and expense information to estimate its current net income, adjusting the data based on statistical models and assessment guidelines. The capitalization rate is then applied to the estimated net income to calculate the property's market value.

Smaller Class 2 buildings with 10 units or fewer are also valued as income-producing properties. However, since most of these buildings are not legally required to file an RPIE statement, the valuation approach is simplified by using the gross income multiplier method.

Challenging Assessed Values

The NYC real property tax assessment and appeal procedure is calendar-driven. With the release of the tentative assessment roll, property owners have an opportunity to examine and challenge these values before the roll is finalized in May.

Tax commission appeal. Owners who believe that the DOF set their assessed value too high can appeal to the NYC Tax Commission, an independent city agency. The Tax Commission has the authority to change a property's assessment value and tax class, and to review exemption determinations. You don't need an attorney to file with the Tax Commission, and you aren't required to attend an in-person hearing, though you may do so if you wish.

Between March and October, the NYC Tax Commission conducts hearings with property owners who have challenged their Tentative Assessments or their representatives to consider whether an assessment should be reduced. At such hearings, information

and documentation supporting a property owner's appeal may be presented. Hearing Officers typically render decisions within weeks of a hearing.

If the property owner accepts a NYC Tax Commission offer to reduce the assessment, the appeals process is concluded, the reduction is effective as of July 1, and the property owner may apply for a refund of any tax overpayment. If the NYC Tax Commission doesn't extend an offer to reduce the assessment, or if an owner doesn't accept the offer and believes that a greater reduction is warranted, the tax appeal for the current year may be continued by filing an Article 7 petition in New York Supreme Court on or before Oct. 24 within the tax year to which the assessment applies.

Appeals must be submitted by the March 3, 2025, deadline for Class 2, 3, and 4 properties. This means that the Tax Commission must receive your appeal by this date, which means mailing your appeal on March 3 isn't sufficient. To file an appeal, visit the Tax Commission at www.nyc.gov/tax-commission. In the "Forms" tab, select the "General Instructions" link and review form TC 600, "How to Appeal a Tentative Assessment." Printed forms are available at DOF business centers and at the Tax Commission's office at 1 Centre Street, Room 2400, New York, NY 10007.

If you have a smaller Class 2 property (10 units or fewer), you must prove that your property's value is less than its effective market value in order for the Tax Commission to lower your assessment. Your property's effective market value is its assessed value, before exemptions, divided by 45 percent.

Request to update. If there is a factual error on your NOPV, such as the wrong number of units or square footage, you can report it to the Department of Finance by filing a "request to update"

form, available at www.nyc.gov/finance. If you file your Request to Update form between Aug. 31 and mid-April of the following calendar year, and your changes are approved, you can expect to see the changes reflected in the final roll, published in June. DOF will send you a notification of the changes in a letter between January and June. If you file your request to update from mid-April to Aug. 31, and your changes are approved, you can expect to see the changes reflected on the tentative roll that's published the following January.

Request to review. If you disagree with the estimated market value on your NOPV, you can file a “request to review” form available at www.nyc.gov/finance. You may disagree based on factors such as finances, comparable sales, building use/classification, physical development, or structure features. The deadline to challenge your estimated market value of your Class 2 property is April 1, 2025.

It's important to note that filing a Request for Review or to Update with the DOF isn't a substitute for appealing your assessed value with the Tax Commission.

NEW LAWS AND REGULATIONS

Fare Act Becomes Law, Shifts Broker Fees to Owners

Initial violations carry fines of up to \$1,000.

The Fairness in Apartment Rental Expenses (FARE) Act was passed by the New York City Council in November 2024. It became law as a result of Mayor Adams taking no action within 30 days of its passage. Beginning June 14, 2025, the law makes owners responsible for covering broker fees when they hire brokers, rather than tenants. This change is aimed at reducing the financial burden for renters while promoting greater fairness and transparency in rental transactions.

Owners, however, will face new financial obligations and administrative complexities under the new law. In advance of its effective date, the Department of Consumer and Worker Protection plans to conduct outreach campaigns to help owners and tenants navigate the changes. To help you take steps to prepare for the new law, we'll go over what the Fare Act changes and penalties for violating the law.

What the FARE Act Changes

The FARE Act requires owners who hire brokers to pay the associated fees, which tenants had previously been responsible for. Additionally, owners must now provide tenants with a clear breakdown of any fees the tenant may be responsible for before a lease is signed.

This disclosure, which must be itemized and detailed, is intended to make the rental process more transparent. The disclosure

must be signed by the tenant prior to execution of the rental agreement, and owners are required to keep these records for at least three years to comply with the law.

A copy of this disclosure must also be provided to the tenant for their records. It's important to note that the disclosure of fees isn't limited to brokerage fees, and owners must now disclose all fees imposed on tenants as part of the execution of the lease.

The law also prohibits owners from requiring tenants to work with specific brokers, such as those representing both sides of a deal, a practice known as dual agency. This requirement is in place to prevent workarounds and give tenants more freedom in selecting representation.

Penalties for Noncompliance

Owners or brokers who don't comply with the FARE Act face financial penalties. Initial violations carry fines of up to \$1,000, while repeat offenses within a two-year window can result in fines of \$2,000. Failing to meet the disclosure requirements is treated as a separate violation, with \$500 for the first violation and not more than \$1,000 for each subsequent violation occurring within a two-year period. Additionally, tenants have the legal right to sue owners in a civil action if they are improperly charged fees that violate the act.

IN THE NEWS

NYC Public Advocate Releases 2025 Worst Landlords Watchlist

This year's worst landlord has had an average of 1,804 open housing violations.

The Office of the Public Advocate recently released the 2025 Worst Landlords Watchlist. This annual list is billed as information-sharing tool that enables tenants, public officials, advocates, and other concerned people to identify which residential property owners consistently flout city laws intended to protect the rights and safety of tenants.

The watchlist, now in its sixth year, uses HPD data to rank owners by their average monthly open violations. A detailed breakdown, including borough-specific worst buildings, is available at LandlordWatchlist.com. This year, Barry Singer tops the 2025 list with an average of 1,804 open housing violations. Heat and hot water issues dominate the complaints against his seven properties, with 121 incidents recorded during the heat season.

Last year's worst landlord, Daniel Ohebshalom, has faced legal consequences, including two incarcerations since

being listed. The latest incarceration was for a 60-day sentence for missing court-ordered repairs at two of his properties.

According to this year's list, the New York City Housing Authority's (NYCHA) housing challenges persist. NYCHA remains the worst public landlord, with 611,000 open work orders, which represents a sharp increase from last year. And this winter alone, over 6,600 NYCHA residents experienced unplanned heat or hot water outages across four developments, underscoring persistent issues in public housing management.

Along with the release of the list, Public Advocate Williams stressed the importance of a pending proposed bill that would expedite inspections and responses to hazardous violations by HPD. Specifically, Int. 2122-2020 would require HPD to respond to complaints received about an immediately hazardous condition within five hours or about a hazardous condition within 48 hours of the complaint being received.

Governor Pledges to Close Security Deposit Loophole for Stabilized Tenants

New York Governor Kathy Hochul recently pledged to close a loophole in state housing law that leaves rent-stabilized tenants without the same protections as other renters when it comes to the return of security deposits.

This move, announced during her State of the State address, aims to amend the 2019 Housing Stability and Tenant Protection Act (HSTPA), which mandates owners return security deposits or provide a detailed justification within 14 days of a tenant moving out. According to the 2025 State of the State Book, rent-regulated tenants were erroneously left out from receiving

these protections, and the governor will propose legislation to grant rent-regulated tenants the same protections for their security deposits as all other tenants.

Currently, for tenants in non-rent-regulated apartments, HSTPA requires that within 14 days after the tenant has vacated the premises, the owner provide the tenant with an itemized statement indicating the basis for the amount of the deposit retained, if any, and return any remaining portion of the deposit to the tenant. If an owner fails to provide the tenant with the statement and deposit within 14 days, the owner forfeits any right to retain any portion of the deposit.

BUILDING MANAGEMENT CALENDAR

Key dates to add to your to-do list: Feb. 15 through March 17, 2025.

2/15 SAT **Check if tenants responded to annual window guard and lead-based paint notice.**

All tenants' responses to the Dept. of Health & Mental Hygiene (DOHMH) "Annual Notice: Protect Your Child from Lead Poisoning and Window Falls" are due today. If a tenant doesn't return a signed and dated annual notice to you by today and you don't know if the tenant needs or wants window guards, DOHMH regulations require that by March 1, 2025, you inspect the tenant's apartment at "reasonable" times to determine whether a child 10 years or younger resides in the apartment and, if so, whether window guards are properly installed. And for lead-based paint, the law requires that by March 1, 2025, you inspect the occupant's apartment at "reasonable" times to determine whether a child under age 6 lives there.

2/17 MON **Use President's Day building schedule.**

President's Day is a Service Employees' Union (Local 32BJ) contract holiday. It's also a Sanitation Department workers' holiday, which means there's no garbage pickup or street cleaning.

3/3 MON **Notify DOHMH of tenants who didn't respond to annual window guard and lead-based paint notice.**

Starting today, you should notify DOHMH in writing if you've been unable to determine whether a tenant needs or wants window guards, or if you've been unable to get access to an apartment for an inspection to determine whether a child under age 6 lives there. The letter should describe the efforts you've made to learn of the tenant's need for window guards and your attempts to gain access.

File NYC real property tax assessment protest—Class 2 & 4 properties.

Today is the last day to apply to the Property Division of the Dept. of Finance (DOF) for a reduction of the 2025–26 assessment for Class 2 & Class 4 properties. DOF must receive the application on or before March 3, 2025. If you file by mail, make sure you mail it far enough in advance to arrive by this date.

3/17 MON **File NYC real property tax assessment protest—Class 1 properties.**

Today is the last day to apply to the DOF's Property Division for a reduction of the 2025–26 assessment for Class 1 properties. DOF must receive the application on or before March 17, 2025. If you file by mail, make sure you mail it far enough in advance to arrive by this date. If your application is hand-delivered, you must bring it to the office on or before March 17, 2025.