New Name, New Year, Same Commitment: A Message from the Co-Managing Partners

BY JEFFREY L. GOLDMAN & DANIEL T. ALTMAN

Having just celebrated our 30th anniversary serving the real estate industry, we move into the New Year with a new name, Belkin Burden Goldman, LLP, but the same level of service and commitment to all of our clients who have put their confidence and trust in us. Effective January 1, 2020, Howard Wenig has withdrawn from the firm so he may become General Counsel for The Bluestone Group, one of our clients. As one of the four original founding partners, Howard has been instrumental in our firm’s growth over the past 30 years to nearly 50 attorneys now. We thank Howard for all of his contributions to the firm and look forward to working with Howard in his new role.

Last year, we warned of the potential headwinds due to the shift in control of both houses of the New York State Legislature. We committed to being a leader and resource should changes occur and to counsel and guide you through what promised to be a variety of complicated and cutting-edge real estate issues. With the passage of the HSTPA on June 14, 2019, the Firm was ready. We held a seminar at The Yale Club for over 350 members of the real estate industry on June 25; because of overwhelming demand, a second seminar was held for several hundred more clients. We have also provided numerous private seminars for many of our clients and have presented discussions at REBNY, RSA and CHIP. We will continue to monitor the legislative
landscape should further enactments appear on the horizon.

Significant changes were also made to the Loft Law as of June 25, 2019. Our team of Loft Law-experienced partners and associates were ready to counsel our clients and the real estate industry on these changes, holding a seminar at The Cornell Club on July 19, providing expert analysis of the new law and its impact.

Because we provide a diverse and multi-faceted real estate representation to owners, developers, cooperative and condominium boards, and commercial tenants, our Coop/Condo, Administrative, Transactional and Litigation Departments worked together to guide our clients on the impact these laws had for cooperative and condominium boards and for purchasers, sellers and lenders of multi-family housing. The interpretation and potential applicability of these laws requires the strength of our litigation team at the Civil and Supreme Courts and by our appellate attorneys before the appellate courts. Whether you are buying, selling, borrowing or lending on a multi-family building or portfolio, there has never been a more important time to have our team provide the necessary due diligence.

To strengthen and support our clients’ needs, we tripled the size of our Land Use and Zoning group, adding attorneys with deep experience with the thicket of land use and zoning issues that impact development, re-purposing and construction. This past year, our Transactional Department guided owners, buyers and sellers in completing purchases, sales and financings of over a half a billion dollars and has diversified to represent buyers in the purchasing and financing of commercial and multifamily properties in California, Florida, Pennsylvania, New Jersey and Texas.

The New York State Legislature has just recently passed a law making “tenant harassment” a misdemeanor and/or a felony with vague language open to judicial interpretation. We are also seeing that the New York State Legislature and New York City Council are considering more anti-owner, pro-tenant legislation on the residential front, along with bills for commercial rent control. Expert legal advice and counsel is vital to traverse this constantly changing legal landscape.

We deeply value our client relationships. Our dedicated and hardworking partners and associates will continue to strive to earn and maintain your trust and confidence each and every day in 2020. Thank you for your belief in us. Wishing you and your families a prosperous and healthy New Year.

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The Firm is very happy to announce that Damien Bernache has been named a partner in the Administrative Law Department. Mr. Bernache joined the Firm in 2016 as an associate and has become a valued member, concentrating on issues involving claims of housing and disability discrimination, harassment, succession rights, property subject to governmental regulatory agreements, and due diligence on acquisition of apartment buildings.

The Firm is also very pleased to announce that Michael J. Shampan has been named a partner in the Transactional Department. Mr. Shampan joined the Firm in 2012 as an associate and has become a key contributor to our transactional practice, handling all forms of residential and commercial purchase, sale, financing and leasing transactions.
As of December 5, 2019, the City Department of Buildings (DOB) is now enforcing Local Law 110 of 2019. The law can be accessed here.

This new law requires building owners to provide copies of any notice of a DOB violation issued against a property to all tenants in the building. For a violation in a common area, or any violation that affects all tenants, the owner is required to post a copy of the notice of the violation in the lobby, and a flyer from DOB, no later than five days after the violation is issued. The violation and the flyer are required to remain posted in the building until the summons is resolved.

For a DOB violation issued for a particular apartment, the owner will be required to distribute a copy of the notice of violation, and the flyer, to the resident of that apartment, as well as to the residents of each adjacent apartment.

The law apparently applies to co-ops and condominiums as well as to rental apartment buildings.

The DOB service and posting requirements can be accessed here.

The flyer can be accessed here.

It is important for owners to follow this law in order to avoid additional fines and penalties from being assessed, in addition to the underlying violation.

Martin Meltzer is a partner in the Firm’s Litigation Department and heads its non-payment practice and can be reached at mmeltzer@bbgllp.com.

New York City’s high density presents unique challenges to developers as buildings are constructed and developed with virtually no space between adjoining buildings’ vertical support walls. In addition to requirements to safeguard its own development, a developer is strictly liable to safeguard the structures on adjoining property. Specifically, New York City Building Code sections 3309.4 and 3309.5 require all developers engaging in excavation or filling on their property to protect against damage to adjoining buildings, at their own expense (e.g., often requiring underpinning as a means to protect a building’s foundation).

A developer’s dilemma arises regarding the need to maintain the structural integrity of an adjoining building when the developer does not have the absolute legal right to access such property to take necessary protective measures. When access is not gained amicably, a developer’s sole legal remedy is to commence a special proceeding pursuant to Real Property Actions and Proceedings Law (“RPAPL”) § 881. However, a Court’s intervention pursuant to RPAPL§ 881 is limited to providing temporary access. This limitation had traditionally been interpreted by courts to prohibit a developer from accessing adjoining property to underpin a foundation because underpinning is considered permanent in nature and licenses are only for temporary access. In short, developers were literally and figuratively between a rock and a hard place.

However, there may now be some light at the end of the “development tunnel”. The recent decision in CUCS Housing Development Fund Corp. IV v. Clifford S. Aymes held that a developer had the right to access the adjoining property and underpin the foundation pursuant to RPAPL § 881. Notably, the facts in CUCS were very favorable to the developer inasmuch as the project involved affordable housing and the adjoining owners did not articulate any reason for not agreeing to the underpinning. It remains to be seen how this decision will be applied in the future to cases with less-favorable fact patterns when a developer seeks relief under RPAPL § 881.

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Because of the uncertainty that had been created by the courts, I strongly recommend that a developer use its best efforts to obtain a written license agreement with adjoining property owners for access, especially when the necessary protective measures entail underpinning. To do so, a developer should be prepared to offer terms to make a license agreement more palatable to the adjoining owner, typically including identifying access times, paying professional fees and paying a small license fee.

In the big picture, any additional costs incurred to effectuate a license agreement are de minimis compared to the overall cost for the development project, the uncertainty of litigating any access issue, or the liability resulting from damage to adjoining property. It would also be prudent to attempt to resolve the terms of a potential license agreement in advance of going to Court, since it will look good to the Court at a future date.

Before executing a license agreement for access, we recommend that you consult legal counsel to ensure that your rights and legal obligations are adequately protected.

If you have any questions regarding this matter, please contact Lewis A. Lindenberg, a partner in the Firm’s Litigation department, who can be reached at llindenberg@bbgllp.com.

Prosecution of Nonpayment Proceedings Under the HSTPA

BY: MARTIN MELTZER & BENJAMIN J. MARGOLIN

On June 14, 2019, Governor Cuomo signed into law the Housing Stability and Tenant Protection Act of 2019 (“HSTPA”), which drastically altered the existing rent laws in New York State. In this article, we will discuss how specific changes in the HSTPA affect the procedure and timeframe of prosecuting residential nonpayment proceedings to a judgment of possession, a money judgment for the rental arrears, and a warrant of eviction.

First, the HSTPA amended the Real Property Actions and Proceedings Law (“RPAPL”) to enact a new §702, which specifically defines the “rent” that can be sought in a residential summary proceeding commenced on or after June 14. Rent is now defined as “the monthly or weekly amount charged in consideration for the use and occupation of a dwelling pursuant to a written or oral rental agreement.” Significantly, the section goes on to explicitly exclude “fees, charges or penalties other than rent” from being sought in a summary proceeding, notwithstanding any language to the contrary in a lease or rental agreement. As a result, Housing Court judges are not allowing owners to obtain non-possessory money judgments for late fees and additional rent, forcing owners to sever and/or reserve their rights to such claims and seek to collect them in an action in Small Claims Court, Civil Court, or Supreme Court.

Second, under the newly enacted Real Property Law (“RPL”) §235-e(d), when a tenant fails to pay “rent” within five days of when due under the terms of the parties’ lease, the owner or its agent is now required to send the tenant a notice by certified mail notifying the tenant that the owner has failed to timely receive payment of rent.

This notice must be sent prior to serving a rent demand on the tenant. The failure of the owner to serve such a notice by certified mail may be used as an affirmative defense by the tenant in a nonpayment proceeding. Prior to the HSTPA, there was no predicate notice required other than the service of a three-day rent demand on the tenant before an owner could commence a nonpayment proceeding.

Third, under RPAPL §711(2), as amended by the HSTPA, after sending the RPL §235-e(d) notice the owner must serve the tenant with a written demand for rent providing fourteen days’ notice to the tenant; before the HSTPA, the law required three days’ notice. This is yet another delay imposed by the HSTPA.

If the tenant fails to pay the full amount of rent demanded in the rent demand within fourteen days, the owner may commence a nonpayment proceeding by notice of petition and petition (collectively a “Petition”) to bring the tenant into Housing Court.

Fourth, under the HSTPA, the tenant now has ten days to answer the Petition, whereas the tenant used to have only five days to answer. If the tenant answers, the Clerk is to...
Commercial building owners often perform elective construction work on their buildings to enhance the structures and promote asset appreciation. By its nature, such work often interferes with the business operations of tenants in the building. That interference could entitle a tenant to a rent abatement if the owner’s performance of the work is not authorized by the terms of the parties’ lease and the work results in the tenant’s inability to use, and/or the tenant’s physical removal from, all or a portion of its leased premises. However, where a tenant does not abandon any portion of its leased premises during the construction period, or where the lease expressly bars a claim for a rent abatement based on construction work, the tenant’s obligation to pay its full rent due under the lease continues unabated.

In both scenarios, the Court must conduct a hearing to be able to determine bad faith and extreme hardship.

Thus, it is critical that an owner’s counsel understands the HSTPA and is able to zealously advocate for owners’ rights to move the proceeding forward and obtain the best results in light of all the new obstacles imposed by the HSTPA.

If you have a situation where a tenant owes rent, it is recommended that you consult your attorneys to determine the most practical, efficient and cost-effective course of action. (In our next article, we will discuss how the HSTPA affects an owner’s ability to recover additional rent, late fees, and legal fees.)
BY SAMUEL R. MARCHESE

Uncovering the truth in the potential acquisition of a residential building in New York City is incredibly difficult without retaining qualified professionals.

Uncovering potential liability prior to purchasing such a building takes dedication, expertise, and experience. Unfortunately, in an effort to facilitate a sale, it is not uncommon for a seller to fail to disclose all legal issues. Therefore, it is always strongly advised that any potential purchaser utilize the rent regulatory due diligence period to the fullest, and retain skilled legal counsel (such as the members of our Administrative Law Department) to investigate the relevant facts by conducting a due diligence review.

Such a due diligence review generally consists of a review and analysis of lease files and administrative/public records that pertain to the subject premises. By performing this type of review, many issues come to light, and we are able to assist our clients in making informed decisions.

A thorough rent regulatory due diligence review should provide potential purchasers with knowledge of the rent regulatory status of each unit, confirmation of legal rents, and uncovering any potential liabilities. This knowledge is crucial to enable potential purchasers to know what they are buying, and to enable them to ascertain the value of the purchase, and to gauge the fairness of the purchase price.

The experienced attorneys in our Administrative Law Department stand ready, willing and able to assist potential purchasers in such reviews.

Jeffrey Levine is a partner in BBG’s Litigation Department, specializing in commercial lease disputes and commercial real estate matters. He can be reached at jlevine@bbglp.com.

Samuel R. Marchese is an associate in the Firm’s Administrative Law Department. He can be reached at smarchese@bbglp.com.
CONDO SUING SPONSOR FOR CONSTRUCTION DEFECTS
CAN SET ASIDE SPONSOR’S TRANSFERS OF UNITS AS FRAUDULENT CONVEYANCES
Board of Managers of East River Tower Condominium v. Empire Holdings Group, LLC
Appellate Division, 2nd Department

COMMENT | The Condominium did not have to prove intent to defraud. A potentially very powerful and far-reaching decision.

CONDO BOARD NOT LIABLE TO UNIT OWNER FOR SCRATCHED WINDOWS
Etkin v. Sherwood 21 Associates, LLC
Appellate Division, 1st Department

COMMENT | The sponsor was held responsible under the offering plan, since the Board never assumed that obligation from the sponsor.

CONDO AWARDED SUMMARY JUDGMENT IN ACTION AGAINST UNIT OWNER FOR UNPAID COMMON CHARGES AND APPOINTMENT OF RECEIVER
Board of Managers of The 200 Chambers Street Condominium v. Braverman
Supreme Court, New York County

COMMENT | This case involved a torturous history of marital and bankruptcy litigation. BBG represented the victorious Condominium.

QUESTIONS OF FACT OVER RIGHTS TO DISPUTED VESTIBULE AND ROOF AREAS BAR SUMMARY JUDGMENT TO CO-OP
142 Fifth Avenue Owners Corp. v. Ferrante
Supreme Court, New York County

COMMENT | The shareholder’s affirmative defenses and counterclaims were dismissed. BBG represented the co-op.

CO-OP NOT ENTITLED TO RECOUP ATTORNEYS FEES INCURRED IN LITIGATION COMMENCED BY SHAREHOLDER’S SUBTENANT
Fiondella v. 345 W. 70th Tenants Corp.
Supreme Court, New York County

COMMENT | The Court based its decision on a close analysis of the proprietary lease’s attorneys fee provision.

CO-OP SHAREHOLDERS CAN ASSERT COUNTERCLAIMS AGAINST CO-OP FOR BREACH OF WARRANTY OF HABITABILITY ARISING FROM LACK OF SECOND MEANS OF EGRESS
Top Of The Lofts, Inc. v. Topol
Supreme Court, New York County

COMMENT | The shareholders were also permitted to seek attorneys’ fees from the co-op under the proprietary lease and Real Property Law section 234.

CO-OP AND CONTRACTOR NOT STRICTLY LIABLE UNDER LABOR LAW TO WORKER INJURED WHILE INSTALLING WINDOW SHADES
Topoli v. 77 Bleecker Street Corp.
Appellate Division, 1st Department

COMMENT | The Court held that installing window shades was not deemed “alterations” under the Labor Law.

ESTATE OF MITCHELL-LAMA CO-OP SHAREHOLDER WHO DIED BEFORE PRIVATIZATION PLAN WAS FINALIZED IS NOT ENTITLED TO WINDFALL THAT WOULD HAVE ARISEN FROM EXERCISING PRIVATIZATION RIGHTS AND SELLING APARTMENT AT A PROFIT
In Re Estate of Carmen Solano
Surrogate’s Court, New York County
REAL ESTATE TAX ESCALATION CLAUSE IN CO-OP COMMERCIAL LEASE TO BE CALCULATED BASED ON NET TAXES ACTUALLY PAID BY CO-OP, AFTER APPLYING ABATEMENTS AND EXEMPTIONS

Jj 201 LLC v. 201 East 62nd Apartment Corporation
Supreme Court, New York County

COMMENT | The Court held that to do otherwise would give the co-op a windfall by allowing it to collect escalations on taxes that were not paid. This oft-litigated issue is normally decided on a strict reading of the escalation clause in the parties’ lease.

CONDO UNIT OWNER CAN SUE BOARD OVER RESULTS OF ELECTION; INSUFFICIENT EVIDENCE WAS SUBMITTED TO WARRANT DISMISSAL

Frankel v. Board of Managers of The 392 Central Park West Condominium  Appellate Division, 1st Department

COMMENT | But the Unit Owner cannot sue the Board over the setting of parking rates for garage spaces, since the bylaws expressly gave the Board the authority to do so.

QUESTIONS OF FACT PRECLUDE SUMMARY JUDGMENT ON CO-OP’S ATTEMPT TO FORCE MASTER COMMERCIAL TENANT TO REPAIR SIDEWALK VAULT

Cast Iron Co., LLC v. Cast Iron Corp.
Appellate Division, 1st Department

COMMENT | The Court noted distinctions in the lease between the parties’ “repair” and “maintenance” obligations.

CO-OP SHAREHOLDERS CAN SUE BOARD MEMBERS FOR VARIOUS CLAIMS ARISING FROM SALE OF CO-OP’S BUILDING TO DEVELOPER

Nainan v. 715-723 Sixth Avenue Owners Corp.
Appellate Division, 1st Department

COMMENT | The sale of a co-op’s building is an increasingly popular phenomenon, but is fraught with risk, and could easily trigger litigation, given the stakes involved.

CONDO ENTITLED TO ARREARS JUDGMENT AND ATTORNEYS FEES AGAINST DELINQUENT UNIT OWNER

Board of Managers of Central Park Place
Condominium v. Potoschnig  Appellate Division, 1st Department

CONTRACTOR’S EMPLOYEE CANNOT SUE SPONSOR OR CONDO FOR INJURY SUFFERED DURING RENOVATION OF APARTMENTS AS PART OF BUILDING CONVERSION

Pchelka v. Southcroft, LLC  Appellate Division, 2nd Department

COMMENT | The Court held that the injury arose from the manner in which the work was done, which was controlled by the employee and contractor, not by the sponsor or Condominium. 
BBG In The News

The Firm was included in the list of New York City law firms with the largest real estate practices published in The Real Deal’s October edition, tying for 15th largest practice in the City by number of attorneys: Read article here.

The Real Deal article also quoted founding partner Sherwin Belkin with regard to the impact that the new State rent laws have had on the Firm’s practice. Mr. Belkin also penned a September 30 op-ed in Crain’s New York, decrying the impact of the new State rent laws and calling for change: Read article here, as well as an op-ed in the same publication on October 28 further criticizing the new laws: Read article here. Mr. Belkin was also quoted in another article in the September 30 edition, which discussed the response to the new rent laws by the owners of Stuyvesant Town/Peter Cooper Village: Read article here, and in an October 4 article in The Real Deal discussing a lawsuit brought by tenants seeking to attain rent-stabilization status under RPTL §421-g: Read article here. Mr. Belkin was also quoted in an October 9 article in Real Estate Weekly online regarding a pending City Council bill that would require landlords to provide tenants with manual entrance keys in buildings with electronic entry systems: Read article here, and in a November 8 article in The Real Deal on in-fighting among Democratic legislators on the acceptance of campaign contributions from the real estate industry: Read article here. Mr. Belkin was also a panelist at a November 21 seminar moderated by Bob Knakal of JLL, speaking on the issues and effects of the new rent laws.

Jeffrey Goldman, head of the Firm’s Litigation Department and co-managing partner, was quoted in an October 9 article in The Real Deal on the drop in the number of non-primary residence cases being brought by landlords as a result of the new rent laws: Read article here. Mr. Goldman was also quoted in a December 3 article in The Real Deal criticizing a new law that criminalizes activity that could be deemed harassment of tenants: Read article here.

Administrative Law Department co-head Martin Heistain was quoted in an October 22 article in The Real Deal on reasons for the steep decline in owner applications for J-51 real estate tax benefits: Read article here, and in a November 5 article in the same publication, criticizing the retroactive applicability of new MCI rules under the new State rent laws: Read article here.

Administrative Law Department co-head Kara Rakowski was a panelist on the topic of nationwide rent regulation at the Executive Conference on Real Estate sponsored by eCore on November 10-12.

Co-op/Condo practice head Aaron Shmulewitz responded to an inquiry in the November edition of The Cooperator regarding holiday tipping practices in a condominium: Read article here.

Litigation partner David Skaller was quoted in a November 27 article in The Wall Street Journal on the steep decline in the number of new eviction proceedings commenced following the enactment of the new State rent laws: Read article here. Mr. Skaller was also a panelist at an October 29 presentation at Fordham Law School on the ramifications of the new State rent laws, sponsored by the Fordham Law Real Estate Society and the Gabelli Business Real Estate Club.

Transactional Department Partner Rob Marshall moderated an Architecture, Engineering and Construction Panel with senior executives from Structure Tone, AECOM and Stantec, sponsored by the Firm on September 19.

Lewis A. Lindenberg, Litigation Department partner and member of the New York Institute of Credit, will be a panelist on NYIC’s program entitled “Current Disruptions in Real Estate” to be held on January 8, 2020 and will be discussing the impact of the 2019 rent laws on NYC real estate.