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When a Co-op Refinances

... Dov Treiman, a New York lawyer who is publisher of The Landlord-Tenant Monthly, said that in order for work in a building to qualify as a Major Capital Improvement under the rent laws, the system being replaced must have outlived what the law calls its "useful life" which, for copper plumbing, is 30 years. In addition, Mr. Treiman said, the improvement must benefit all residents — either directly or indirectly — and the cost of the replacement must be depreciable under the tax laws and must not be considered an ordinary repair for tax purposes.

"From the question, it sounds as if this change will qualify as a Major Capital Improvement and lead to legal rent increases," Mr. Treiman said. Generally, the increase is apportioned on a per-room basis. The amount is calculated by dividing the cost of the improvement by 84 (spreading the monthly payments over seven years), and by then dividing the result by the total number of rooms in the building.

Mr. Treiman noted, however, that since the rent laws apply only to rent-regulated tenants, nonregulated tenants will not have to pay an M.C.I. increase unless a provision requiring them to pay such an increase is included in their nonregulated lease. "And few such leases have such clauses," Mr. Treiman said ...