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Real Estate Q&A

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Individual Meters in a Rental Building

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Q. *Our landlord is installing individual electric meters in each apartment in our building, which has a mixture of regulated and nonregulated tenants. Each tenant will be paying for his or her own electricity, but at a lower-than-normal rate because of the large total consumption. Is this legal?*

A. Adam Leitman Bailey, a Manhattan real estate lawyer, said the installation of individual meters in apartments was not only legal but also encouraged by most levels of government. “Submetering is seen as a relatively easy way to reduce a building’s electric consumption,” he said.

The conversion is handled differently for regulated and free-market tenants.

Generally, he said, if a landlord installs buildingwide submetering, he can apply to the state’s Division of Housing and Community Renewal for the right to impose a major “capital improvement increase” on rents in regulated apartments. The landlord can also seek permission to exclude electricity from the regulated rent and to reduce the rent accordingly.

For free-market tenants, Mr. Bailey said, a landlord can shift from including electricity in the rent to excluding it upon the expiration of the current lease.