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Stuyvesant Town Ruling Worries Tenants and Landlords Alike

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Tenants and landlords spent much of Thursday struggling to figure out what the state high court's ruling on the future of Stuyvesant Town and Peter Cooper Village meant for all types of New Yorkers.

Real estate moguls feared the news would cripple their industry, and tenants worried about their rents.

Despite the lack of clarity, the ruling by the New York Court of Appeals had an immediate chilling effect on real estate in New York: Landlords questioned whether they could raise rents, and some even went so far as to cancel plans to buy more apartments in buildings with tax subsidies.

"It's terrible for the industry," said Ed Kalikow, whose family owns 2,000 apartments in the city. He did not know how many of those units would be affected. "A lot of people bought property with the thought that they would get the rents up. People made decisions on that. Banks made loans. This decision is another nail in the coffin."

While tenant groups who had spent the last several years fighting the owners of Stuyvesant Town welcomed the news, they also recognized that the ruling may complicate and extend how long it takes for current or past tenants to receive rent rebates. They also feared that conditions would deteriorate as owners deferred maintenance and repairs.

Today, 4,352 of the 11,227 apartments at the two complexes have rents at market rate, up from 3,189 in late 2006.

The decision complicates the financial problems of landlords like [Tishman Speyer Properties](#) at Stuyvesant Town and Stellar Management at Riverton Houses in Harlem, which paid record prices for residential

properties during the housing boom.

They assumed that rents would continue to skyrocket while they rapidly converted rent-regulated apartments to market-rate units. Instead, rents have tumbled sharply over the past year, and property values have plummeted as landlords struggled to pay their loans.

Lenders also may be less willing to restructure loans with troubled landlords — like the Tishman Speyer partnership that bought Stuyvesant Town — without the infusion of hundreds of millions of dollars in equity, said Chris Delson, a partner in the real estate and restructuring group at the law firm Morrison & Foerster, which is involved in bankruptcies of both the Extended Stay Hotels chain and the shopping center developer General Growth Properties.

The problem extends beyond Stuyvesant Town to buildings in the Bronx, Brooklyn and Queens.

“They’re not the only landlords who did this,” said Daniel Alpert, managing partner of Westwood Capital, a New York investment bank that was part of a tenants’ bid for Stuyvesant Town in 2006.

Landlords who were hoping to buy some of the city’s distressed apartments worried they would be forced to scale back.

James R. Wacht, president of the real estate owner and management company Sierra Realty, had been shopping for hundreds of troubled condos to rent out, and then sell when the market improved. But after speaking with his lawyers, Mr. Wacht said, he feared the ruling would be extended to new condominium buildings that received tax abatements not covered by the ruling. He said he put his investment plans on hold because he feared he would never be able to sell occupied units if tenants had a right for a lease renewal.

“The issue is uncertainty,” he said. “It makes it impossible.”

Some groups tried to calculate how many apartments were affected by the ruling. Harold Shultz, a senior fellow at the nonprofit Citizens Housing and Planning Council and former deputy commissioner at the city’s Department of Housing Preservation and Development, estimated that 35,000 to 70,000 apartments fell under the decision. There are about one million rent-stabilized apartments in the city.

Joseph Strasberg, president of the Rent Stabilization Association, which represents landlord groups, has said that the landlords of as many as 80,000 apartments would be affected by the ruling. On Thursday, he suggested that it was mainly a problem for property owners in Manhattan, where rents are more likely to exceed \$2,000 a month. But exactly how many units were affected, he said, “no one knows.”

Government agencies scrambled to figure out how they would carry out changes the ruling would require.

The state housing agency, the [Department of Housing and Community Renewal](#), could be inundated with petitions from tens of thousands of tenants claiming they had been overcharged by landlords receiving tax breaks, as well as from landlords disputing the claims.

James Plastiras, a department spokesman, said it was “reviewing the decision” and was waiting for the trial court to provide guidance.

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