



Navigating DHCR's Individual Apartment Improvement (IAI) Application Process with Key Updates from Operational Bulletin 2024-2

As of October 17th, 2024, significant updates to New York State's Individual Apartment Improvement (IAI) regulations have been put into effect through the release of Operational Bulletin 2024-2. These changes impact property owners and tenants of rent-stabilized and rent-controlled apartments across New York and understanding them is critical for anyone seeking a rent increase due to IAIs.

This newsletter will guide you through the process of completing IAI applications with the New York State Division of Housing and Community Renewal (DHCR), incorporating the latest rules under Operational Bulletin 2024-2.

What Are Individual Apartment Improvements (IAIs)?

IAIs are significant upgrades or renovations to individual apartments that allow landlords to increase the legal rent. Common improvements include kitchen and bathroom renovations, new flooring, windows, and more. Under the new regulations, IAIs are divided into two tiers based on the scope of the work and the status of the apartment.

Key Changes Effective October 17, 2024

First Tier IAI: Allows for up to \$30,000 in IAI costs for occupied or vacant units. The amortization rates for the first tier remain the same but the increase is now permanent. In a building that contains 35 or fewer apartments, the permitted increase in the legal regulated rent is 1/168th of the total cost of the improvements. In a building with more than 35 apartments, the permitted increase in the legal regulated rent is 1/180th of the total cost of the improvements.

Second Tier IAI: For IAIs up to \$50,000, applicable to apartments that are either vacant and registered as such in 2022, 2023, and 2024, or where a tenant has occupied the unit for at least 25 consecutive years prior to the improvement. In a building that contains 35 or fewer apartments the permitted increase in the legal regulated rent is 1/144th of the total cost of the improvement. In a building with more than 35 apartments, the permitted increase in the legal regulated rent is 1/156th of the total cost of the improvements.

Steps for Completing an IAI Application:

1. Understand Eligibility

- a. First, determine whether your proposed IAI qualifies under the new first or second tier. The type of apartment (vacant or occupied) and the nature of the improvements will dictate the limits and requirements for documentation.
- b. For First Tier IAIs, work in both vacant and occupied apartments can qualify.
- c. For Second Tier IAIs, the apartment must either be vacant and timely registered as such for 2022, 2023, and 2024, or have been continuously occupied for 25 years prior to the renovation.

2. Complete the Necessary Forms

- a. Before beginning any improvements, file the appropriate forms online using the DHCR's Owner Rent Regulation Application (ORRA) System.
- b. Form RN-19N (IAI Notification) must be submitted for all IAIs. This form requires a detailed description of the work and supporting documents, such as "before and after" photographs and invoices.
- c. For occupied apartments, you must also submit Form RN-19C (Tenant's Informed Consent), showing that the tenant has agreed to the improvement and resulting rent increase.
- d. These forms and all supporting documentation must be filed electronically and become part of the rent registration record.

3. Documentation Requirements

- a. Documentation is critical for DHCR's review process. Be sure to:
 - i. Retain itemized invoices, contracts, and "paid in full" receipts for all materials and labor.
 - ii. Submit "Before and After" photographs for visual proof of the work performed.
 - iii. In Second Tier cases, demonstrate the necessity of the improvements, such as substandard conditions or the end of the useful life of the item being replaced.

4. Tier-Specific Steps for Second Tier IAIs

- a. For Second Tier IAIs, property owners must follow additional steps:
 - i. Step 1: Request certification from DHCR to confirm eligibility for recovering IAI costs. Certification applies to apartments that meet the specific vacancy or long-term occupancy requirements.
 - ii. Step 2: Before undertaking the work, submit evidence of substandard conditions or exceeded useful life, along with permits and other relevant documents.
 - iii. Step 3: After completing the IAI, file a final notification form, including proof of payment, post-work photographs, and a 1% fee based on the total IAI costs.

Failure to complete these steps may result in the IAI increase being disallowed.

Common Pitfalls to Avoid

- 1. Insufficient Documentation:** Ensure all supporting documentation is detailed and filed properly. Incomplete or vague records can lead to application rejection or disallowance of the rent increase.
- 2. Missing Tenant Consent:** For IAIs in occupied apartments, you cannot recover costs without the tenant's written informed consent.
- 3. Useful Life Considerations:** IAIs cannot be performed on items that are still within their "useful life." Be prepared to prove that old fixtures or

appliances were beyond their useful life before replacements were made.

Conclusion

The new two-tier system under Operational Bulletin 2024-2 provides expanded opportunities for property owners to recover costs from Individual Apartment Improvements, but also introduces more stringent requirements for documentation and tenant consent. By adhering to the updated process and filing the necessary forms and evidence through DHCR's ORRA system, you can maximize your chances of obtaining a rent increase.

If you have any questions or need assistance with your IAI applications, our team at James G. Dibbini & Associates P.C. is here to help. Contact us to schedule a consultation and ensure your application complies with the new rules.

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