



New York State  
Division of Housing and Community Renewal  
Office of Rent Administration

Operational Bulletin 2024-2 (October 1, 2024)

(Replaces Operational Bulletin 2016-1)

## INDIVIDUAL APARTMENT IMPROVEMENTS

### OVERVIEW

This Operational Bulletin is being issued to reflect changes in the rent laws regarding Individual Apartment Improvements (IAIs).

This Operational Bulletin provides guidance to owners and tenants of apartments subject to rent control and rent stabilization both inside and outside of New York City on how DHCR will review the installation of IAIs when a complaint of rent overcharge has been filed or there is an investigation with respect to IAI installations. An owner may be eligible for a rent increase for an IAI when there has been a substantial increase of dwelling space, an increase in the services provided by the owner, improvements installed in the housing accommodation, or new furniture or furnishings provided by the owner.

#### **I. Notification Forms that Need to be Filed Irrespective of any Overcharge Complaint and/or Investigation**

Owners of apartments subject to rent stabilization or rent control must file electronically DHCR Form RN-19N INDIVIDUAL APARTMENT IMPROVEMENT: NOTIFICATION, for IAIs made in vacant and occupied apartments. In addition to the Notification Form, where tenant's consent is required, owners must file electronically DHCR Form RN-19C INDIVIDUAL APARTMENT IMPROVEMENT: TENANT'S INFORMED CONSENT for IAIs made to occupied apartments. If there was a tenant in occupancy of the apartment when the improvements were installed, then no otherwise permissible rent increase due to such improvements will be recoverable without the tenant's written informed consent to the rent increase.

Owners may access these forms by logging into the Owner Rent Regulation Application (ORRA) System online at <https://hcr.ny.gov/online-services-owners-and-managers> and select the Individual Apartment Improvement Notification application.

The Notification and accompanying documents will be made part of the rent registration record for a rent stabilized apartment and part of the Maximum Base Rent building profile record for a rent controlled apartment. Such Notification for each IAI must include an itemized list of work performed and a description or explanation of the reason or purpose of such work. At any time, DHCR may request any relevant information even if

This document is being reissued for informational purposes only.

The original document which contains signatures of authorization is on file at DHCR's Office of Rent Administration.

provided previously, where it affects the adjustment of legal regulated rents. Owners are advised to retain proper documentation of all improvements performed or any rent increases resulting from IAIs.

## **II. New Rules Effective October 17, 2024**

Since 2019, IAIs have been limited to: a) no more than \$15,000; and b) no more than three IAIs in any 15-year period.

Effective October 17, 2024, changes to the law eliminate the limitation of three separate IAIs (subject to limitations described below for certain “Second Tier” IAIs) and establish a two-tier system for IAIs. These changes may allow increases recoverable for IAIs up to \$30,000 (First Tier) and \$50,000 (Second Tier) pursuant to requirements outlined below.

## **III. Rules and Requirements for the First and Second Tiers**

### **First Tier - Rent Stabilized/Rent Controlled Apartments Subject to the \$30,000 Limitation**

Effective October 17, 2024, the IAI cap of \$15,000 is increased up to \$30,000 in the first tier. 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.

Owners must include with DHCR Form RN-19N INDIVIDUAL APARTMENT IMPROVEMENT: NOTIFICATION, “Before and After” photographs related to the IAI(s), and DHCR Form RN-19C INDIVIDUAL APARTMENT IMPROVEMENT: TENANT’S INFORMED CONSENT, if applicable. Such consent form must be executed in accordance with the filing instructions in DHCR Form RN-19C INDIVIDUAL APARTMENT IMPROVEMENT: TENANT’S INFORMED CONSENT (See Notification Terms, Section I. above).

### **Second Tier – Vacant Rent Stabilized Apartments that Were Timely Registered Vacant for 2022, 2023 and 2024 or Continuously Occupied for at least 25 Years Immediately Prior to Commencement of the IAIs Subject to the \$50,000 Limitation**

Effective October 17, 2024, IAIs of up to \$50,000 may be recoverable if they were installed (a) in a vacant apartment that was timely registered as vacant in 2022, 2023, and 2024; or (b) during a vacancy following a period of continuous occupancy of at least 25 years that occurred immediately prior to the commencement of the IAI. An owner may recover costs based on (a) no more than once.

The increase in the second tier is permanent and the amortization rates are as follows: 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.

For both tiers, owners must file online in ORRA at <https://hcr.ny.gov/online-services-owners-and-managers> and select the Individual Apartment Improvement Notification. Owners must then select either the first or the second tier.

To recover costs for IAIs under the second tier, owners must complete the following steps:

## STEP 1.

Owners must first request certification from DHCR to establish eligibility to recover costs on proposed IAIs.

To recover costs under this tier, the IAI must have been installed in:

- A. A currently vacant apartment that was timely registered as vacant for 2022, 2023 and 2024; or
- B. A currently vacant apartment following a period of continuous occupancy of at least 25 years that occurred immediately prior to the commencement of the IAI installation.

An owner may recover costs based on (A) no more than once.

DHCR will issue an order certifying eligibility or denying eligibility to recover costs. DHCR's order certifying eligibility is only made to determine if the owner is eligible to file for an IAI with this agency and not an order approving a rent increase.

## STEP 2.

Immediately prior to undertaking the IAI installation, owners that are certified eligible by DHCR must notify DHCR on Form RN-19N INDIVIDUAL APARTMENT IMPROVEMENT: NOTIFICATION of their intent to perform the IAI work and evidence demonstrating that the improvement will be necessary due to a substandard condition, or due to the item(s) being replaced having exceeded its useful life. Photos of what will be improved, and any necessary permits required to undertake the improvement, must be submitted. In addition, the owner must submit an affirmation that it is free and clear of any DHCR and of any court of competent jurisdiction findings of Harassment or willful Rent Overcharge within the previous five years in all residential buildings they own, including but not limited to partial or beneficial ownership.

## STEP 3.

Immediately after the IAI installation, owners must complete DHCR form RN-19N INDIVIDUAL APARTMENT IMPROVEMENT: NOTIFICATION and submit evidence that the work was completed, which must include post work photos, all applicable itemized invoice receipts for all parts, materials, appliances, and labor costs, and proof of payment. Owners must also pay to DHCR a 1% fee based on the claimed costs not to exceed \$50,000 as provided in the application instructions. For example, a \$45,000 IAI will carry a fee of \$450.

Failure to make these filings will result in an IAI increase being non-recoverable.

## IV. Additional Rules Applicable to both the First and Second Tiers

All IAI allowable monthly increases become part of the legal rent for the apartment. IAI increases are based on the total substantiated cost of an improvement (limited to \$30,000 or \$50,000, as applicable) including installation cost but excluding finance charges and excluding any costs exceeding reasonable costs. Additionally, if an owner needs to hire an independent contractor and plans on calculating related installation costs to be passed on to the tenant, the contractor must be licensed. There can be no common ownership or identity of interest between the owner and such contractor or any persons receiving payment for the IAI (either equipment or labor) (see VII IDENTITY OF INTEREST below). Also, the owner must resolve all outstanding hazardous or immediately hazardous violations of the Uniform Fire Prevention and Building Code (Uniform Code), New York City Fire Code, or New York City Building and Housing Maintenance Codes that pertain to the subject apartment.

## **A. Increases Under New and Old Rules**

If an IAI rent increase was in effect prior to June 14, 2019, the IAI is governed by the law in effect at that time, including the applicable amortization rate.<sup>1</sup> These IAIs do not count toward the \$30,000 or \$50,000 limitation on IAIs in a 15-year period.

If an owner expended up to or above \$15,000 in IAIs on or after June 14, 2019, but before October 17, 2024, the maximum rent increase that the owner may receive is based solely on \$15,000 in accordance with the law in effect at the time. If the owner did spend up to \$15,000 in IAIs during that period, the owner may expend an additional amount for new improvements made on or after October 17, 2024, based on the new \$30,000 or \$50,000 aggregate. The owner may be eligible for a maximum rent increase equal to the difference between \$30,000 or \$50,000, as applicable, and the amount for which the owner has previously received an IAI increase since June 14, 2019.

## **B. Lease Requirements, and Registration and MBR Reporting**

For rent stabilized apartments, any increase based on an IAI that was previously reported to DHCR in the Notification Form and/or Tenant's Informed Consent Form must also be reported in the next occurring annual registration filing for the subject apartment. In addition, if the IAI items are installed during a vacancy, the total costs are to be included in the rent calculations provided by an owner in the NYC Lease Rider or ETPA Standard Lease Addenda. Supporting documentation such as invoices and bills may be requested by the tenant from the owner. For rent controlled apartments, any increase based on an IAI that was previously reported to DHCR in the forms above must also be reported in the appropriate Maximum Base Rent reporting forms.

## **C. 421-a (16) IAI Requirements**

All forms of deregulations, except for 421-a (16) apartments, were repealed as of June 14, 2019. For apartments which were previously deregulated pursuant to high-rent vacancy, a listing of IAIs and their total cost were required to be included in the notice of deregulation served on the tenant. This notice of deregulation and related IAI reporting requirements are still applicable to 421-a (16) apartments.

## **GENERAL RULES FOR ALL IAIs**

### **V. Proof of Installation and Payments Still Needed for any IAIs as part of an Overcharge Case or Investigation**

#### **A. Acceptable forms of proof:**

Claimed individual apartment improvements are required to be supported by adequate and specific documentation. This documentation should be maintained in owners' files and include:

1. Cancelled check(s) (front and back) contemporaneous with the completion of the work or proof of electronic payment.

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<sup>1</sup> On June 14, 2019, the Housing Stability and Tenant Protection Act (HSTPA) changed IAI amortization rates from a permanent increase based upon 1/40 of the eligible cost for buildings with 35 or fewer units and 1/60 of the eligible cost for buildings with greater than 35 units to a temporary increase based upon 1/168 of the eligible cost for buildings with 35 or fewer units and 1/180 of the eligible cost for buildings with greater than 35 units.

2. Invoice receipt marked “paid in full” contemporaneous with the completion of the work.
3. Signed contract agreement.
4. Contractor’s affidavit indicating that the installation was completed and paid in full.
5. Before and after photographs.

An owner should submit all five listed forms of proof. DHCR’s consideration may not be limited to these five items as its review of IAIs is fact intensive and an individualized process regardless of whether it is part of an administrative proceeding or the subject of an independent investigation.

Additionally, IAI review involves DHCR’s assessment of the evidence offered so that there is no guarantee that any particular piece of proof will be dispositive. For example, an invoice or contract with less than complete specificity may not be sufficient. DHCR, in every case, has the authority to request information it believes is necessary to reach a proper determination including requests for additional evidence indicating the installation was completed, paid in full and otherwise appropriate to support a rent increase. Additional documentation should always be provided if possible, and it should be provided as requested to avoid a more protracted administrative or investigative proceeding. If an owner is unable to provide these items or any item requested, then an explanation must be provided and DHCR will determine whether the proof given is sufficient.

## **B. Lump Sum Costs**

When challenged about an IAI, such as in an overcharge proceeding, an owner must submit evidence of the cost incurred for that item. Therefore, where an owner is seeking a rent increase for more than one item of work, a lump sum bill may not suffice. DHCR has discretion to accept a lump sum bill under certain circumstances where, for example, DHCR concludes that:

1. The evidence submitted establishes that all the work claimed to have been done was as a coordinated project and was satisfactorily completed; and
2. Each item of work was either an “improvement” or an ordinary repair and maintenance that was done in connection with, and as a necessary component, of an allowable IAI. Even such coordinated projects are best supported by itemized proof and the absence of such itemization, may result in additional scrutiny or denial. When proof is not adequate in DHCR’s view, such IAI increase may be denied in its entirety or the difference between the claimed cost and the substantiated cost will be disallowed depending on the result of DHCR’s review of the documentation.

## **VI. USEFUL LIFE**

An owner who receives an increase for an IAI is not entitled to a further increase based upon the installation of similar equipment or furniture within the useful life of such equipment or furniture. Unlike major capital improvements, which have a useful life schedule, DHCR’s determination of whether an IAI’s useful life has been met will be based on the facts of each case.

Where the useful life of an IAI is at issue and the installation was completed during a vacancy or included on a vacancy lease, DHCR may require the owner to submit documentation to prove that the useful life of the old equipment or furniture had been exhausted.

## **VII. IDENTITY OF INTEREST/COMMON OWNERSHIP**

Costs for an IAI paid to a person or organization sharing common ownership or an identity of interest with the

owner or managing agent will be disallowed.

Identity of interest means any other relationship (such as based on family ties or financial interest) between the owner/managing agent and the contractor, supplier or installer(s) who did the installation or supplied the improvement. These relationships include:

1. When the owner/managing agent appears to have a financial interest in any entity receiving payment for the IAI (either the improvement or labor) which is included in the requested rent increase.
2. When the owner/managing agent (or one or more of its officers, directors, stockholders, or partners of a corporation or partnership) appears to have a family tie or is an officer, director, stockholder, or partner at any entity receiving payment for the IAI (either the improvement or labor) which is included in the requested rent increase.
3. When there appear to be side deals, agreements or contracts that have been made or contemplated which could alter or cancel any of the costs of the IAI (either the improvement or labor) or where there appear to be side deals, agreements or contracts which were entered into in proximity with the IAI.
4. When any other relationship appears to exist between the owner/managing agent and the contractor, subcontractor or any person receiving payment for the IAI (either equipment or labor) included in the requested rent increase other than the contract for equipment or labor with respect to this IAI, which could give the owner/management agent, control or influence over the contractor or installer; and
5. When the person or persons receiving payment for the IAI (either equipment or labor) appear to be employees of the owner/managing agent, but such payments were not made to them in addition to such salary or payments for other work provided to the owner/managing agent.

If it is alleged or found that improvements to an apartment were made by an employee of the owner/managing agent, and/or new equipment was installed by an employee of the owner/managing agent, payroll records including hours worked on the IAI and the schedule of payment for the work will be requested. The owner will be required to prove that the employee was paid for the work separately from, and in addition to his/her normal salary.

## **VIII. CASH PAYMENTS**

For IAI's performed where there are total cash payments for an IAI in an amount that exceeds \$10,000, stricter scrutiny of the evidence supporting a rent increase is warranted. DHCR will request further proof of payment in the form of bank documentation proving the withdrawal of such funds, including evidence as to how funds were transferred. Such proof, including documentation required by the Internal Revenue Code, would be in addition to affidavits of receipt by the vendor/contractor where normal receipts issued in the course of business are not available.

## **IX. WHAT QUALIFIES AS AN INDIVIDUAL APARTMENT IMPROVEMENT?**

### **A. Items that may qualify as an IAI:**

The RSC provides generally that apartment improvements, new equipment, or new services are considered improvements eligible for an IAI rent increase. The list provided below is intended to provide examples of qualifying IAIs; this list is not intended to be exclusive and is not determinative in all cases. Please note that items not listed below may also qualify:

1. Complete bathroom modernization or renovation, including fixtures installed as part of such project

2. Complete kitchen modernization or renovation, including fixtures and appliances installed as part of such project
3. New air conditioner purchased and installed by the owner, including wiring and outlet for the air conditioner where none previously existed
4. New washing machine and/or dryer, including wiring and outlet where none previously existed
5. New parquet flooring where none previously existed
6. New subflooring
7. New flooring, including linoleum and vinyl tiles, when a new subflooring is installed
8. New carpeting
9. New built-in clothing closets
10. New furniture
11. New lighting fixtures where none previously existed
12. New storm door
13. New storm windows
14. New windows if not part of a building-wide installation
15. New full-length screens where none previously existed
16. Balcony enclosure
17. Security alarm
18. New dropped and/or soundproof ceilings
19. Painting and plastering if part of a major renovation
20. Installation of sheetrock if done throughout the apartment

**Other Costs:**

The costs associated with the removal or demolition of the item(s) being replaced may be included in the amount eligible for the rent increase when the removal or demolition is necessary and is performed contemporaneously with the completion of the work.

Architectural or engineering services which are directly related to an IAI are considered part of the allowable costs eligible to be included in calculating a rent increase when the work requires approval by a Registered Architect (RA) or Professional Engineer (PE), for the issuance of a permit by the New York City Department of Buildings (DOB). More information about permits is available on DOB's website.

**B. Items that do not qualify as an IAI:**

1. Any removal or demolition work performed by the owner or an employee of the owner performing his/her assigned duties does not constitute an expenditure that can be included in the calculation of the rent adjustment for an IAI.
2. Used equipment, furnishings or items replaced through normal maintenance or repair.
3. Installations or modifications made while a tenant is in occupancy without such tenant's written consent; and
4. Items that constitute ordinary repairs and maintenance unless such work was done in connection with (and is a necessary component of) an allowable IAI. If done alone, the following items constitute repairs and/or maintenance only, and do not qualify as IAIs unless included above in Section V(A).
  - a. Installing sheetrock in less than the full apartment.
  - b. Plastering, painting.
  - c. Scraping, shellacking, or coating floors with polyurethane.
  - d. Replacing light fixtures, outlets, or switches.

e. New ceilings (see #18 above).

Also excluded from calculating an IAI rent increase are charges connected with financing the installation, improvements paid for out of insurance proceeds, and labor charges for work done by the owner, or an owner's employee(s), performing his/her assigned duties.

In New York City, physical changes to the interior of an apartment that are reasonable accommodations and/or modifications for a disabled tenant in occupancy, such as installing grab bars in bathrooms, that in other instances might otherwise qualify as an individual apartment improvement increase(s) will not be subject to such rent increase based on the provisions of the New York City Human Rights Law pertaining to the rights of individuals with a disability. See N.Y.C. Admin. Code § 8-107(5). If there are any questions, please contact the NYC Commission of Human Rights.

### **X. IAIs and Required Services**

When an owner installs an improvement, the item becomes a required service. Owners are required to maintain and to certify annually to DHCR that all required services, including the IAI, are being maintained. When an owner fails to maintain a required service or discontinues the service without permission from DHCR, a rent reduction may be ordered by the agency. DHCR will freeze the rent and order a roll back of the rent to the prior guidelines rent adjustment including any intervening rent increases for that period until the agency finds the subject service has been restored upon the owner's application. See DHCR's Fact Sheet #35 on the Collectability of Major Capital Improvement (MCI) and/or Individual Apartment Improvement (IAI) Rent Increases Where the Rent is Reduced Because of Diminution of Services and Rent Reductions for Decreased Services, and DHCR's Operational Bulletin 2014-2 on the Collectability of MCI/IAI Increases Where the Rent is Reduced Because of Diminution of Services.

### **XI. RETENTION OF RECORDS**

The rent laws generally do not require an owner who has duly registered an apartment with DHCR to maintain or produce records relating to the rental of an apartment for more than six years prior to the most recent reliable rent registration statement. However, because of exceptions to the six-year rule, it is recommended that owners keep IAI records for more than six years.

### **XII. TREBLE DAMAGES**

Overcharges resulting from the disallowance of claimed IAIs may be subject to treble damages.

**Woody Pascal**  
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*for Rent Administration*  
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