

## Regulatory Impact Statement

### 1. Statutory Authority.

New York General Business Law (“GBL”) Article 23-A (“the Martin Act”) regulates the advertisement, sale, purchase, and investment advice given to securities and other covered investment vehicles. *See* GBL § 352(1). Included under the Martin Act’s purview is the regulation of real estate syndication offerings, including the offering of “cooperative interests in realty” in buildings and developments converting from residential rental status to cooperative or condominium ownership. *See* GBL §§ 352-e, 352-ee, 352-eee, 352-eeee. Such cooperative interests in realty must be sold pursuant to an offering plan filed with the Real Estate Finance Bureau of the New York State Department of Law (“DOL”). *See* GBL §§ 352-e(1)(a) and 352-eeee(1). On June 14<sup>th</sup>, 2019 the New York State Legislature passed, and the Governor signed, Chapter 36 of the Laws of 2019 (“The Housing Stability and Tenant Protection Act of 2019” or “HSTPA”). Part N of the HSTPA substantially amended Section 352-eeee of the Martin Act, which governs the conversion of occupied residential property to cooperative and condominium ownership in the City of New York. On December 16<sup>th</sup>, 2022, Section 352-eeee of the Martin Act was further amended in relation to the percentage of units to be sold to convert certain real property to cooperative or condominium ownership in the city of New York. *See generally* 2022 Laws of New York, Chapter 696; 2022 N.Y. Assembly Bill A08809 (Sponsor Memorandum)(January 12, 2022). Sections 352-e(6) and 352-eeee(7) of the Martin Act authorize the DOL to “adopt, promulgate, amend and rescind suitable rules and regulations to carry out the provisions of this subdivision.”

### 2. Legislative Objectives.

The legislative history of the 1982 revisions to the Martin Act demonstrates a clear legislative intent to permit the conversion of occupied residential real estate to cooperative or condominium ownership, while also “protecting tenants in possession who do not desire or who are unable to purchase the units in which they reside from being coerced into vacating such units.” McKinney’s 1982 Session Laws of New York, Volume 2, p. 1474. Accordingly, the Martin Act and the DOL’s existing governing regulations provide numerous protections for tenants who are unwilling or unable to purchase their apartments during the condominium or cooperative conversion process. *See* GBL §§ 352-e(2-a)(a)(ii), 352-eeee(1)(e), and 352-eeee(1)(e). *See also* GBL §§ 352-eee(2)(c)(ii), (iii), and (iv); 352-eeee(2)(c)(ii), (iii), and (iv).

On June 14<sup>th</sup>, 2019, the New York State Legislature passed the HSTPA, with the stated purpose of, among other things, “provid[ing] permanent regulation protection to covered buildings [and] extend[ing] tenant protections statewide.” 2019 N.Y. Senate Bill S6458 (Sponsor Memorandum)(June 12, 2019). The HSTPA amended the sections of the Martin Act pertaining to conversions of occupied residential property to cooperative and condominium ownership in the City of New York to provide additional protection to tenants in occupancy during the cooperative or condominium conversion process. Specifically, the HSTPA’s amendments to the Martin Act “repeal eviction plan conversions, limit non-eviction plan conversions of rent regulated buildings to preserve the rental housing stock, and provide additional protections for senior citizens and disabled tenants in buildings seeking a non-eviction plan conversion.” 2019 N.Y. Senate Bill S6458 (Sponsor Memorandum)(June 12, 2019). Additionally, on December 16<sup>th</sup>, 2022, Section GBL 352-eeee of the Martin Act was further amended to “permit buildings with five or fewer

units to convert to cooperative or condominium ownership with fewer restrictions.” 2022 N.Y. Assembly Bill A08809 (Sponsor Memorandum)(January 12, 2022).

The regulatory revisions are in direct response to the Legislature’s 2019 and 2022 amendments to the Martin Act, and update the DOL’s existing regulations to effectuate the intent and plain language of the amended statute. As such, the regulatory revisions accord with the public policy objectives the Legislature sought to advance.

### 3. Needs and Benefits.

The regulatory revisions are needed to comply with the legislative mandates set forth in the HSTPA and Chapter 696 of the Laws of 2022.

In addition, the DOL’s Real Estate Finance Bureau recently has seen a dramatic increase in the submission of offering plans for the conversion of occupied residential rental properties to cooperative and condominium ownership located in the City of New York, thereby necessitating updated regulations governing such submissions. To illustrate, from June 15, 2019 through the end of 2024, an average of approximately three (3) occupied conversion offering plans relating to properties located in the City of New York were submitted to the DOL’s Real Estate Finance Bureau each year. Only approximately 15% of the properties relating to these occupied conversion offering plans ultimately converted to condominium or cooperative ownership, and those that did so generally did so under untraditional circumstances. In contrast, in 2025, the DOL’s Real Estate Finance Bureau received twenty-three (23) occupied conversion offering plans relating to properties located in the City of New York, representing a nearly 700% increase in the submission of occupied conversion offering plans located in the City of New York from prior years following the adoption of the HSTPA. The DOL presently anticipates that this trend will continue.

The benefits of the regulatory revisions include providing clearer guidance for sponsors of occupied residential rental properties that seek to submit or have already submitted offering plans for the conversion of occupied residential rental properties to cooperative or condominium ownership located in the City of New York, clarifying the additional protections for tenants in occupancy at the time of potential conversion set forth in the HSTPA, and furthering the amended Martin Act’s plain language and legislative intent.

### 4. Costs.

#### (a) Costs to regulated parties.

The DOL does not anticipate that the cost of implementation of and continued compliance with the regulatory revisions will be meaningfully different than already exists under the DOL’s current regulatory framework. To the extent the regulatory revisions update the requirements for conversion of an occupied residential rental property to condominium or cooperative ownership and thereby may result in indirect costs to certain regulated parties, they do not go beyond what is required to effectuate the HSTPA and Chapter 696 of the Laws of 2022’s amendments to the Martin Act.

#### (b) Costs to the agency, the state and local governments.

The DOL foresees no costs to any state agencies or local governments as a result of the implementation of and continued compliance with the proposed regulatory revisions.

(c) Information and methodology upon which the estimate is based.

The estimated costs are based on the assessment of the Attorney General, in reliance upon data and information maintained by the DOL's Real Estate Finance Bureau.

5. Local Government Mandates.

The regulatory revisions do not impose any programs, services, duties, or responsibilities on any county, city, town, village, school district, fire district, or other special district.

6. Paperwork.

The regulatory revisions do not create a meaningful increase in paperwork than already exists under the DOL's current regulatory framework.

7. Duplication.

The regulatory revisions do not duplicate any existing state or federal rule.

8. Alternatives.

The DOL believes that there are no alternatives to the regulatory revisions. There is no other means by which the DOL can make its regulations consistent with the intent of their authorizing statute and the enabling legislation other than by revising its regulations.

9. Federal Standards.

The regulatory revisions do not exceed any minimum standards of the federal government for the same or similar subject.

10. Compliance Schedule.

The proposed regulatory revisions will go into effect upon their filing with the Secretary of State and the publication of a Notice of Adoption in the State Register. The proposed regulations apply to any and all future offering plans submitted to the DOL pursuant to 13 New York Codes, Rules, and Regulations Parts 18 and 23 as well as offering plans submitted pursuant to 13 NYCRR Parts 18 and 23 that the DOL has accepted for submission but has not yet accepted for filing.