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New York State's Pro-Tenant Law Snarls Hamptons Mansion Rentals

Oshrat Carmiel | March 2, 2020

(Bloomberg) -- New York State's sweeping tenant-protection law is causing headaches for Hamptons mansion owners who lease out their beachside spreads for the summer.

The [new rules](#) prohibit landlords from collecting more than a month's rent upfront. That's a problem in the Long Island resort towns, where homeowners rely on three-month rental contracts in the hundreds of thousands of dollars, paid in full ahead of the season.

The law -- aimed at keeping [apartments](#) affordable -- took effect in June, but Hamptons homeowners are only now catching up with its provisions as the peak leasing season gets under way. Landlords, faced with the notion of collecting rent from partying tenants every 30 days, are considering doing away with full summer leases, or hiking monthly asking prices to cover maintenance costs on their lavish estates, brokers say.

"The issue is you can get stuck with a tenant who pays for June, and once August comes around, doesn't pay," said [Frank Bodenchak](#), a rental and sales broker with Sotheby's International Realty in the Hamptons. "The month of August through Labor Day might be worth as much as the other 11 months combined. These are big houses that require a lot of planning. You can't rent these things last minute."

Those properties can command princely sums. The owner of a 10,000-square-foot house in Sagaponack -- with a pool, tennis court and six "zones" of outdoor entertainment space -- is [seeking](#) \$790,000 for Memorial Day weekend through Labor Day, or \$375,000 for just the month of July. In Bridgehampton, a four-bedroom home with a private walkway to the beach is [listed](#) at \$300,000 for August through Labor Day and \$500,000 for the full season.

On top of those rents, landlords also rely on additional upfront cash to cover things like utilities and pool care -- also banned under the law.

When renting out her Southampton home the past two summers, Victoria Shtainer preferred taking a lesser amount for the entire season over having the onus of preparing for a new tenant each month. With a lease and payment locked in, she took a vacation to her native Ukraine last year and then rented a smaller place in the Hamptons for herself and her family.

This year, she's [selling](#) her house -- with its saunas, tennis and basketball courts, movie theater and saltwater pool -- for \$9 million.

"I cannot rent it the way I used to," said Shtainer, a Manhattan-based real estate agent with [Compass](#). "I'm thinking about maybe becoming a tenant myself."

The area's brokerage community has appealed for a legislative fix, seeking an exemption for rentals of 120 days or shorter. A [bill](#) is up for review by the judiciary committees of both houses, said Lisa Lombardo, the legislative director for Assemblyman Fred Thiele, a sponsor of the measure whose district includes the Hamptons.

"Don't underestimate the need of most homeowners to rent their homes during the summer months to offset the costs of owning and maintaining them," Judi Desiderio, chief executive officer of Hamptons brokerage Town & Country Real Estate wrote in a letter to lawmakers earlier this month.

She said another provision of the new law, requiring the return of a security deposit within 14 days, is also unrealistic in the Hamptons. Thousands of properties are vacated after Labor Day -- "Tumbleweed Tuesday" -- leaving their owners to vie for scarce local contractor services to assess damages and costs.

Without a law tweak, expect some Hamptons rentals to be more costly this year -- and for homeowners to demand extra assurances from seasonal tenants, like recommendations from previous landlords, Shtainer said.

"It's owner beware," she said. "You have to be more vigilant than before because you don't have much recourse."