

MSF CLIENT ALERT

Meister Seelig & Fein LLP | 125 Park Avenue New York, NY 10017 | 212.655.3500 | meisterseelig.com

Update on Bill Suspending Personal Liability Provisions in New York City Commercial Leases

Mayor de Blasio signed into law a bill, on May 26, 2020, that temporarily prohibits enforcement of personal liability provisions in commercial leases involving certain COVID-19 affected tenants. Under this new law, attempting or threatening to enforce a personal liability provision is considered a form of commercial tenant harassment. The law became effective immediately upon signing.

May 28, 2020

The new law, referred to as Int. No. 1932-A and passed on May 13 by the New York City Council, was part of a package of seven pieces of legislation signed by the Mayor that are intended to provide relief for tenants, commercial establishments, and restaurants during the COVID-19 pandemic. Int. No. 1932-A, which amends the City's Administrative Code by adding Section 22-1005, is motivated by concerns that the rising lease default rate caused by the COVID-19 pandemic will lead commercial landlords to enforce personal liability provisions in leases, putting business owners' personal assets and properties, including their homes and personal bank accounts, at risk.

If a commercial tenant meets certain conditions, Int. No. 1932-A prohibits the landlord from relying on a commercial lease or rental agreement's personal liability provision to recover amounts owed for "rent, utility expenses or taxes," as well as for "fees and charges

relating to routine building maintenance." Int. No. 1932-A appears to cover personal guaranties, including so-called "Good Guy Guaranties." However, there is significant ambiguity about the scope of the law and the manner in which it will be interpreted and applied by the courts. It also appears certain that the validity of the law will be subject to legal challenge on several grounds, including on the basis that the law represents an unconstitutional attempt by New York City's municipal government to unilaterally amend private contracts entered into by private parties.

For an analysis and additional insight about Int. No. 1932-A, please refer to our Client Alert of May 20, which can be accessed here:

https://www.meisterseelig.com/wp-content/uploads/2020/05/MSF-Client-Alert-NYC-Council-Passes-Bill_5.20.20.pdf .

MSF CLIENT ALERT

Meister Seelig & Fein LLP | 125 Park Avenue New York, NY 10017 | 212.655.3500 | meisterseelig.com

For more information or if you have any questions about how this new development may affect your business, please contact a member of our team.



Howard S. Koh
Partner | Commercial Litigation
212.655.3587 | hsk@msf-law.com



Scott A. Newmark
Partner | Co-Chair, Real Estate
(212) 655-3509 | san@msf-law.com



Amit Shertzer
Associate | Commercial Litigation
(212) 655-3510 | as@msf-law.com

The information contained in this publication should not be construed as legal advice. The invitation to contact is not a solicitation for legal work under the laws of any jurisdiction in which Meister Seelig & Fein LLP are not authorized to practice.