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Massive Rent Rise Threatens Midtown Flat Owners on Billionaires' Row

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— Categories: Real Estate

A staggering 600% rent increase is threatening to displace dozens of long-term residents from Carnegie House, a once-affordable co-op building in the heart of Midtown Manhattan. The looming cost hike stems from a dramatic rent adjustment tied to a decades-old land lease and highlights the growing tension between middle-class homeowners and powerful real estate interests along the ultra-luxurious stretch of West 57th Street.

Carnegie House sits in the shadow of Billionaires' Row, a cluster of opulent skyscrapers home to the world's wealthiest elites. But unlike its glassy neighbors, the red-brick co-op was built in the 1960s to offer a more attainable lifestyle. That promise is now in jeopardy, as a recent arbitration ruling determined the building's annual ground rent should rise from $4.36 million to around $24 million.

This rent spike could push monthly payments for residents like Richard Hirsch, a marketing consultant and president of the co-op board, from roughly $5,000 to $13,000. "It's basically death," Hirsch told The Wall Street Journal. We're going to fight as much as we can against what we think is a really unfair, inappropriate, and wrong situation."

Ground leases, common in post-World War II New York City, allowed middle-income families to buy apartments at lower prices by leasing the land beneath their buildings rather than owning it outright. These leases typically reset every few decades, and residents at Carnegie House knew an increase was coming. But few anticipated a sixfold jump.

David Jordan, an 83-year-old retired engineer and two-decade resident, said, "When we signed the ground lease years ago, the land value and the neighborhood were entirely different. None of us, even the professionals who were advising us, could have foreseen the kind of explosive land inflation that's happened."

The land beneath Carnegie House is now owned by a limited liability company tied to real estate investors Rubin Schron and David Werner. A spokesperson for the group, James Yolles, denied any plans to redevelop the site and said residents were aware of the lease terms when they purchased their units. "We remain open to good-faith discussions with Carnegie House residents should they wish to approach us," Yolles said.

The building's long-term future remains uncertain. If it defaults on rent payments, residents could lose their equity, and the co-op could revert to rent-stabilized apartments, something tenant advocates and the landowners sharply disagree on how to interpret under current law.

According to Geoffrey Mazel, a lawyer familiar with such arrangements, "These co-ops are time bombs." More than 25,000 New Yorkers live in similar co-op structures, many of which are now facing similar lease resets.

State lawmakers attempted to intervene earlier this year. A bill backed by State Senator Liz Krueger and Assemblywoman Linda Rosenthal aimed to cap rent increases and protect residents in these lease agreements. However, the proposal stalled after opposition from

The Real Estate Board of New York (REBNY), which argued the legislation would unfairly interfere with private contracts.

“Unconstitutionally meddling in longstanding contracts for the benefit of a small handful of largely wealthy homeowners and real estate speculators in Manhattan is bad public policy amid a housing crisis or anytime,” said REBNY’s Zachary Steinberg.

However, for long-time residents like Sandy Dell, a 70-year-old retired actress, the real concern is not lost investment; it’s losing her home. “Losing the equity is the least of my problems,” she said. “It’s finding another place that I can afford at this point in my life.”

The battle over Carnegie House illustrates a larger fight in cities like New York, where rising land values collide with an increasingly strained middle class.