

COURT OF APPEALS OF THE STATE OF NEW YORK

Riverside Syndicate, Inc. v. Munroe

10 N.Y.3d 18 (2008) · Decided February 7, 2008

SUMMARY

The New York Court of Appeals held that an agreement allowing tenants to pay an illegal rent for a rent-stabilized apartment in exchange for the landlord's waiver of primary-residence requirements was void and unenforceable by either party. The court rejected the tenants' arguments that the agreement was a valid settlement or barred by the statute of limitations, and affirmed the declaratory judgment invalidating it.

CASE DETAILS

COURT	Court of Appeals of the State of New York
WRITING FOR THE COURT	Smith, J.; Chief Judge Kaye; Judge Ciparick; Judge Graffeo; Judge Read; Judge Pigott; Judge Jones
JURISDICTION	New York
DECIDED	February 7, 2008
DISPOSITION	affirmed
PROCEDURAL POSTURE	The tenants appealed from an Appellate Division order reversing Supreme Court's grant of summary judgment to the tenants and granting summary judgment to the landlord in a declaratory-judgment action concerning the validity of a rent-stabilized tenancy agreement.
STANDARD OF REVIEW	Summary judgment review; the Court of Appeals reviewed the Appellate Division's grant of summary judgment and declaratory judgment.
PRECEDENTIAL VALUE	Published precedential opinion of the New York Court of Appeals.
PARTIES	Victoria Munroe, Eric Saltzman v. Riverside Syndicate, Inc.

TOPICS

- landlord tenant
- contracts
- statutory interpretation
- declaratory judgment
- real estate

PRACTICE AREAS

- landlord-tenant law
- rent stabilization
- contract law
- declaratory judgment

QUESTIONS PRESENTED

1. Whether an agreement permitting tenants to pay an illegal rent for rent-stabilized apartments in exchange for the landlord's agreement not to enforce the primary-residence requirement is void and unenforceable.
2. Whether the negotiated-settlement exception in Rent Stabilization Code § 2520.13 validated the agreement.
3. Whether the six-year limitations period for contractual obligations barred the landlord's declaratory-judgment action.
4. Whether the agreement could be relied upon by either party after being declared void.

HOLDINGS

1. An agreement by tenants to pay an illegal rent for a rent-stabilized apartment in exchange for the landlord's agreement to permit use as a second home and not enforce the primary-residence requirement is void and cannot be enforced by either party.
2. The negotiated-settlement exception in Rent Stabilization Code § 2520.13 does not apply where the agreement is not a bona fide compromise of a dispute concerning what the law permits and instead seeks to achieve conduct the law undisputedly prohibits.
3. The six-year statute of limitations for an action upon a contractual obligation does not make an agreement that was void at inception valid by the passage of time, and it did not bar this declaratory-judgment action on the facts presented.
4. The agreement is void as to both parties, and neither party may rely on it.

KEY QUOTATIONS

“We hold that an agreement by tenants to pay an illegal rent for a rent-stabilized apartment, in exchange for an agreement by the landlord to let the tenants use the apartment as a second home, is void and cannot be enforced by either party.” (21)

“The agreement is void as to both parties, and neither party is entitled to rely on it.” (24)

FACTUAL BACKGROUND

The tenants occupied three Manhattan apartments subject to rent stabilization. In a 1996 so-ordered stipulation, the landlord agreed to recognize them as lawful rent-stabilized tenants at a monthly rent of \$2,000, despite a substantially lower legal maximum, and agreed not to enforce the primary-residence requirement. The apartments were later deregulated, and after the landlord commenced proceedings based on the tenants' nonprimary residence, the landlord sought a declaration that the 1996 agreement violated public policy and was void.

PROCEDURAL HISTORY

The landlord initially sued to evict the tenants, and the parties entered a 1996 so-ordered stipulation recognizing the tenants as rent-stabilized tenants at a rent substantially above the legal maximum and permitting occupancy

regardless of primary residence. After the apartments were deregulated and the landlord later commenced eviction proceedings based on nonprimary residence, the landlord brought this action in 2004 seeking a declaration that the 1996 agreement was void. Supreme Court granted summary judgment to the tenants; the Appellate Division reversed, declared the agreement null and void, and the Court of Appeals affirmed.

DISPOSITION

affirmed

CASES CITED

- Park Towers S. Co. v. Universal Attractions, 274 A.D.2d 312 (1st Dep't 2000)
- Rima 106 v. Alvarez, 257 A.D.2d 201 (1st Dep't 1999)
- Pacchiana v. Pacchiana, 94 A.D.2d 721 (2d Dep't 1983)

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