



4 The future of 21-a and housing development

Policy Breakfast | February 24, 2022 | 11:00am ET | #FCBreakfast

What is 421-a?



Without 421-a



With 421-a

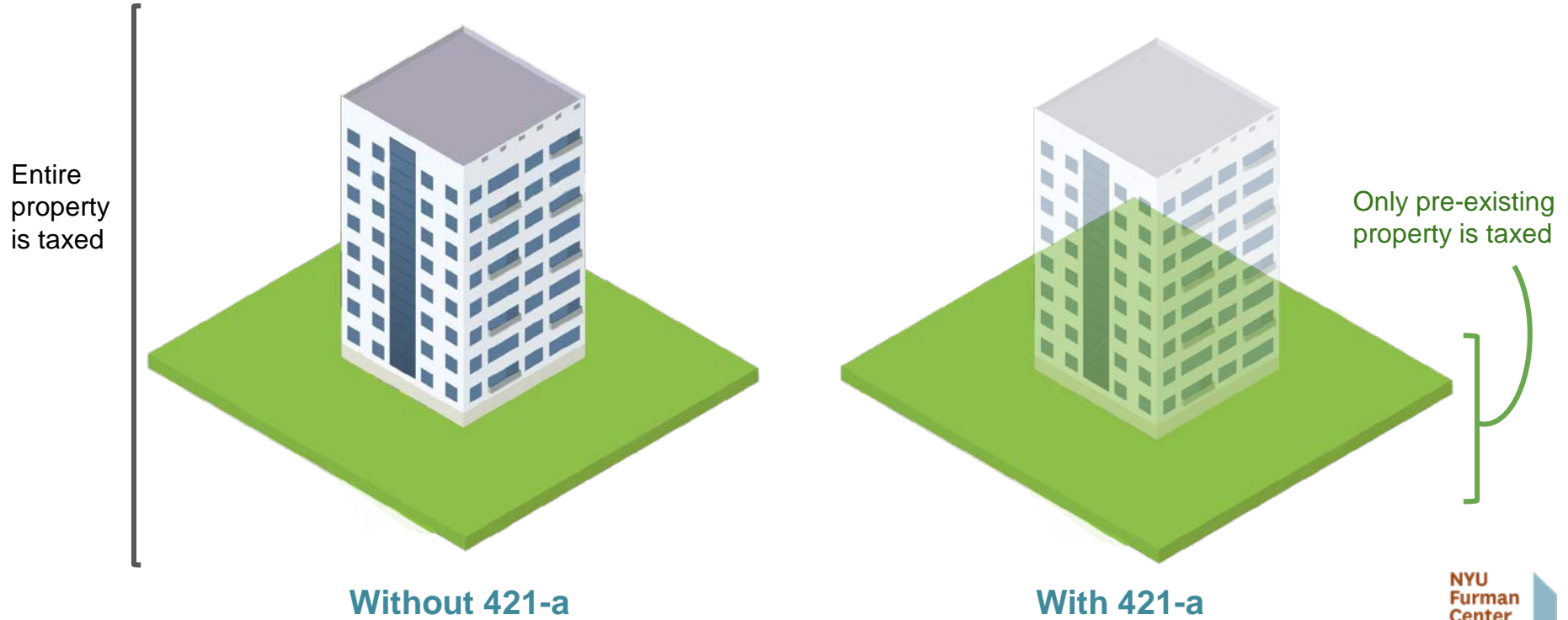
What is 421-a?

Entire
property
is taxed



Without 421-a

What is 421-a?



Early Versions of 421-a (1970s and 1980s)



**10-Year
Exemption**



**No Affordable
Requirement**



**Geographic
Exclusion
Areas (1980's
onwards)**



The current version of 421-a (Affordable New York) is set to expire in mid-June



A debate has arisen about whether to let the program expire or to replace it



Governor Hochul has proposed a new tax exemption program, 485-w, that would function similarly to 421-a



Affordable New York Program Options:

Option	Type	Exemption Period	Share of Units Affordable by AMI level					Restrictions
			40%	60%	70%	120%	130%	
A	Rental	25 years + 10 years at % affordable	10%	10%			5%	Allows tax-exempt bonds and 4% LIHTC
B	Rental	25 years +10 years			10%		20%	No restriction on government subsidies
C	Rental	25 years +10 years					30%	Prohibits government subsidies, geographic restrictions
D	Condos and Coops, ≤ 35 units, outside MN	14 years + 6 years at 25%						Average assessed value ≤ \$65k, Primary res for 5 years
E	Rental, 300+ units	35 years	10%	10%		5%		Allows tax-exempt bonds and 4% LIHTC, geographic and wage restrictions
F	Rental, 300+ units	35 years			10%		20%	Geographic and wage restrictions
G	Rental, 300+ units	35 years					30%	Prohibits government subsidies, geographic and wage restrictions

Affordable New York Program Options:

Option	Type	Exemption Period	Share of Units Affordable by AMI level					Restrictions
			40%	60%	70%	120%	130%	
A	Rental	25 years + 10 years at % affordable	10%	10%			5%	Allows tax-exempt bonds and 4% LIHTC
B	Rental	25 years +10 years			10%		20%	
C	Rental	25 years +10 years					30%	Prohibits government subsidies, geographic restrictions
D	Condos and Coops, ≤ 35 units, outside MN	14 years + 6 years at 25%						Average assessed value ≤ \$65k, Primary res for 5 years
E	Rental, 300+ units	35 years	10%	10%		5%		Allows tax-exempt bonds and 4% LIHTC, geographic and wage restrictions
F	Rental, 300+ units	35 years			10%		20%	Geographic and wage restrictions
G	Rental, 300+ units	35 years					30%	Prohibits government subsidies, geographic and wage restrictions

Affordable New York Program Options:

Option	Type	Exemption Period	Share of Units Affordable by AMI level					Restrictions
			40%	60%	70%	120%	130%	
A	Rental	25 years + 10 years at % affordable	10%	10%			5%	Allows tax-exempt bonds and 4% LIHTC
B	Rental	25 years +10 years			10%		20%	
C	Rental	25 years +10 years					30%	Prohibits government subsidies, geographic restrictions
D	Condos and Coops, ≤ 35 units, outside MN	14 years + 6 years at 25%						Average assessed value ≤ \$65k, Primary res for 5 years
E	Rental, 300+ units	35 years	10%	10%		5%		Allows tax-exempt bonds and 4% LIHTC, geographic and wage restrictions
F	Rental, 300+ units	35 years			10%		20%	Geographic and wage restrictions
G	Rental, 300+ units	35 years					30%	Prohibits government subsidies, geographic and wage restrictions

Criticisms of 421-a

421-a has long been the subject of criticism, including in its current form as Affordable New York (ANY).



Insufficient benefit given cost

- In 2021, the tax expenditure for 421-a was \$1.7 billion, supporting close to 200,000 residential units, a portion of which are income-restricted

Criticisms of 421-a

421-a has long been the subject of criticism, including in its current form as Affordable New York (ANY).



Insufficient benefit given cost

- In 2021, the tax expenditure for 421-a was \$1.7 billion, supporting close to 200,000 residential units, a portion of which are income-restricted



Units “affordable” for middle-income households

- Income-restricted units under ANY are set to be affordable to as high as 130% AMI, e.g., to a family of three earning \$139,620



Criticisms of 421-a

421-a has long been the subject of criticism, including in its current form as Affordable New York (ANY).



Insufficient benefit given cost

- In 2021, the tax expenditure for 421-a was \$1.7 billion, supporting close to 200,000 residential units, a portion of which are income-restricted



Units “affordable” for middle-income households

- Income-restricted units under ANY are set to be affordable to as high as 130% AMI, e.g., to a family of three earning \$139,620



Right problem, wrong solution

- A program goal is to spur development of multifamily rentals, which are taxed at a comparatively high level. Some argue that NYC should just reform property taxes



Criticisms of 421-a

421-a has long been the subject of criticism, including in its current form as Affordable New York (ANY).



Insufficient benefit given cost

- In 2021, the tax expenditure for 421-a was \$1.7 billion, supporting close to 200,000 residential units, a portion of which are income-restricted
- **This program creates new housing that would otherwise not be built**



Units “affordable” for middle-income households

- Income-restricted units under ANY are set to be affordable to as high as 130% AMI, e.g., to a family of three earning \$139,620



Right problem, wrong solution

- A program goal is to spur development of multifamily rentals, which are taxed at a comparatively high level. Some argue that NYC should just reform property taxes

Criticisms of 421-a

421-a has long been the subject of criticism, including in its current form as Affordable New York (ANY).



Insufficient benefit given cost

- In 2021, the tax expenditure for 421-a was \$1.7 billion, supporting close to 200,000 residential units, a portion of which are income-restricted
- **This program creates new housing that would otherwise not be built**



Units “affordable” for middle-income households

- Income-restricted units under ANY are set to be affordable to as high as 130% AMI, e.g., to a family of three earning \$139,620
- **Deeper affordability would limit new development in middle markets**



Right problem, wrong solution

- A program goal is to spur development of multifamily rentals, which are taxed at a comparatively high level. Some argue that NYC should just reform property taxes

Criticisms of 421-a

421-a has long been the subject of criticism, including in its current form as Affordable New York (ANY).



Insufficient benefit given cost

- In 2021, the tax expenditure for 421-a was \$1.7 billion, supporting close to 200,000 residential units, a portion of which are income-restricted
- **This program creates new housing that would otherwise not be built**



Units “affordable” for middle-income households

- Income-restricted units under ANY are set to be affordable to as high as 130% AMI, e.g., to a family of three earning \$139,620
- **Deeper affordability would limit new development in middle markets**

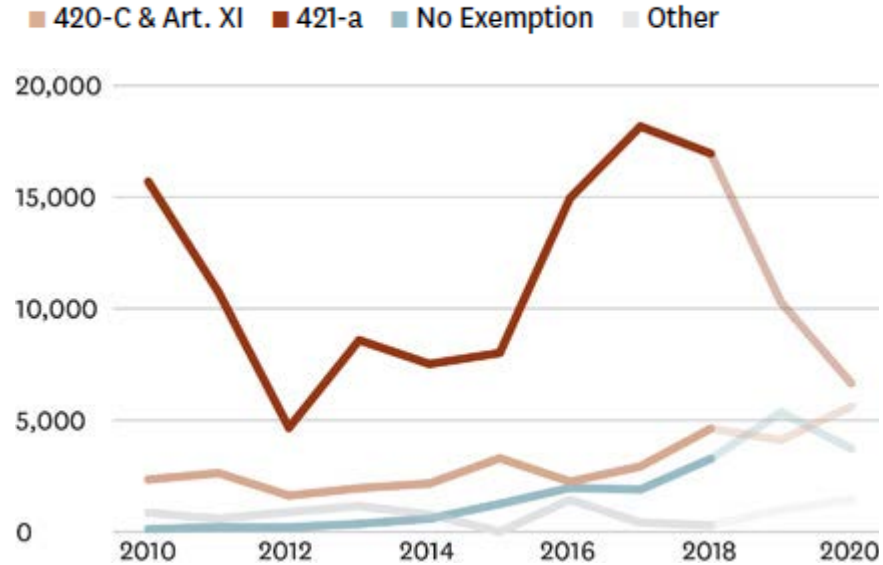


Right problem, wrong solution

- A program goal is to spur development of multifamily rentals, which are taxed at a comparatively high level. Some argue that NYC should just reform property taxes
- **Reforming property taxes is not politically feasible**

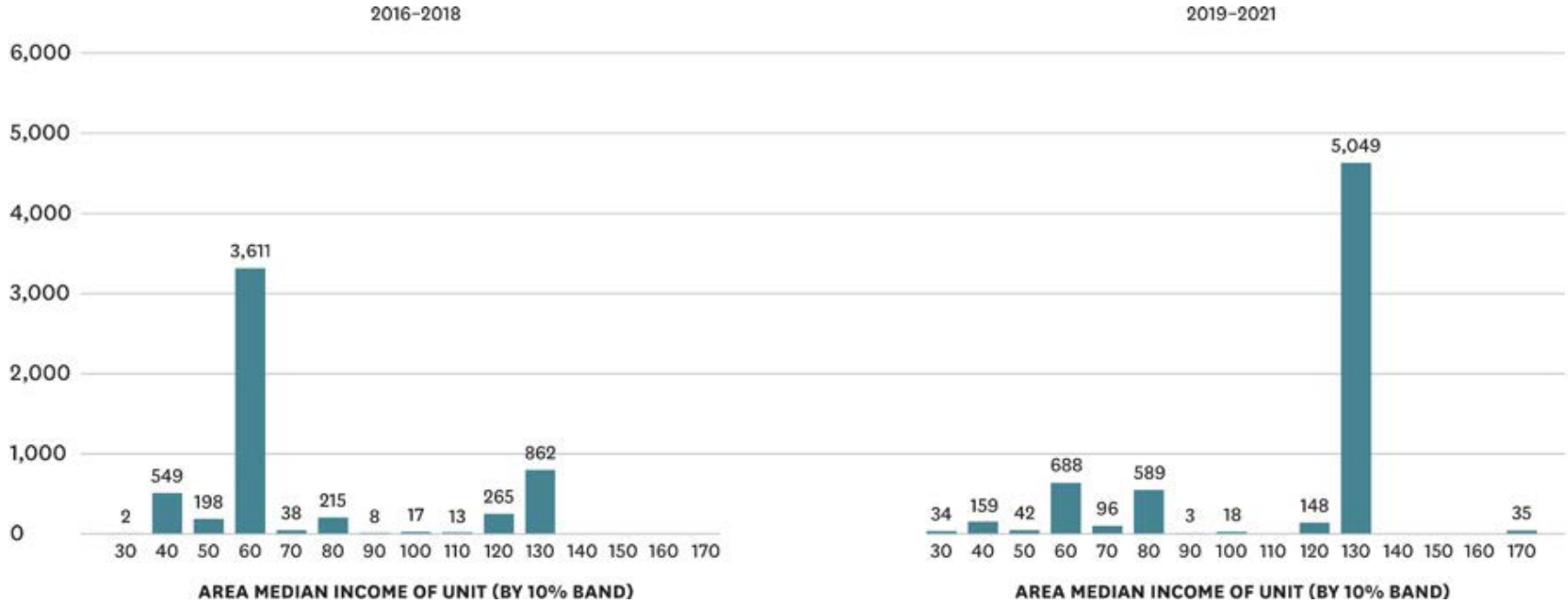
What was built under 421-a in the last decade?

Units Built by Property Tax Benefit (2010-2020) Among Properties that Completed Construction



Note: data on the use of exemptions among recently completed projects may be delayed. Sources: NYC Department of City Planning's PLUTO and Housing Database (2021, 2020), NYC Department of Finance's Property Assessment Data (2021), NYC Department of Housing Preservation and Development's Housing New York data (2021), NYC Department of Housing Preservation and Development and Housing Development Corporation's NYC Housing Connect (2016-2021), NYU Furman Center.

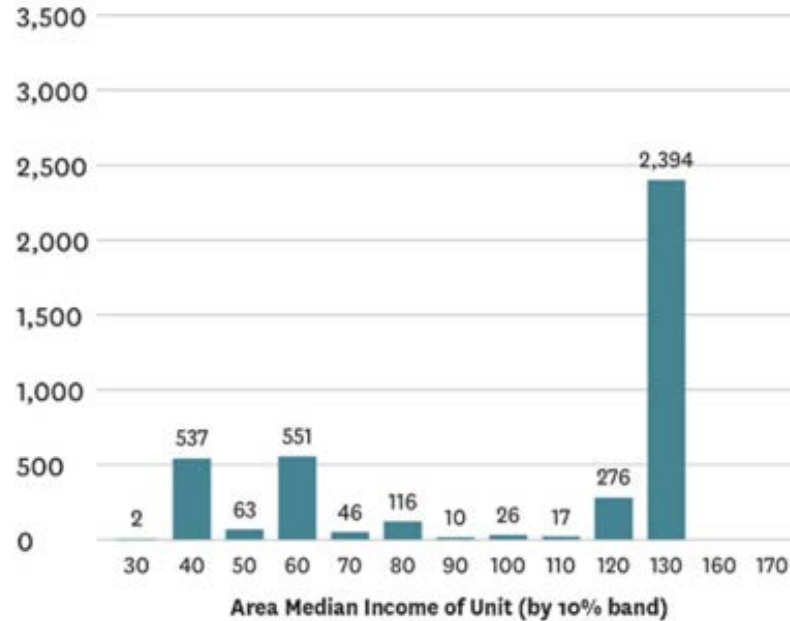
421-a Units Advertised on Housing Connect (2016-2018 and 2019-2021)



Sources: NYC Department of Housing Preservation and Development and Housing Development Corporation's NYC Housing Connect (2016-2021), NYU Furman Center.

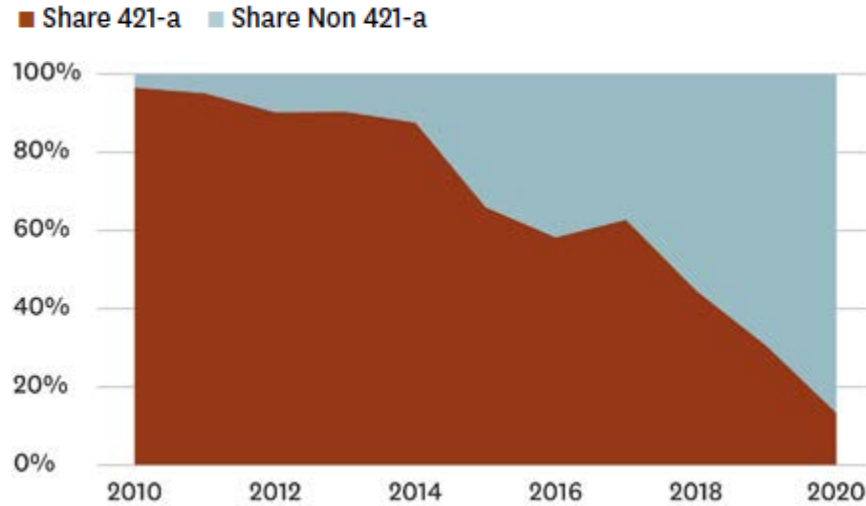


Affordable New York (Current 421-a Program) Units Among Properties Advertised on Housing Connect (2016-2021)



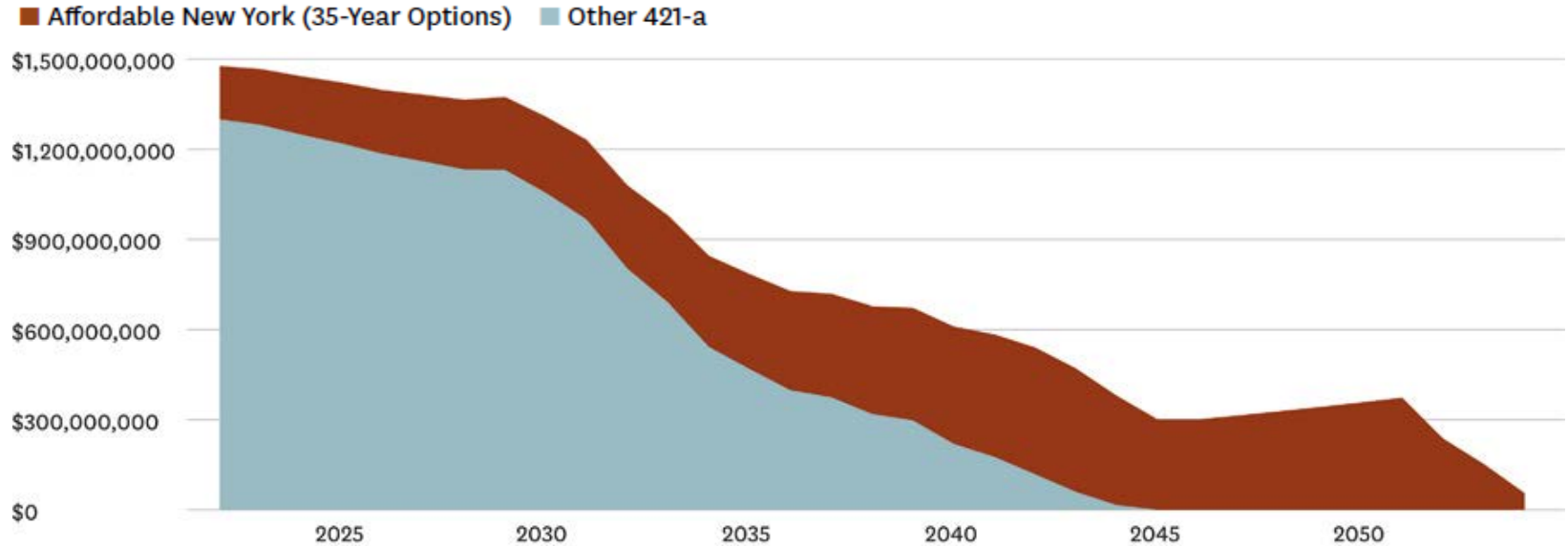
Sources: NYC Department of Housing Preservation and Development and Housing Development Corporation's NYC Housing Connect (2016-2021), NYU Furman Center.

Share of Newly Completed Condos by 421-a Status



Note: data on the use of exemptions among recently completed projects may be delayed. Sources: NYC Department of City Planning's PLUTO and Housing Database (2021, 2020), NYC Department of Finance's Property Assessment Data (2021), NYC Department of Housing Preservation and Development's Housing New York data (2021), NYC Department of Housing Preservation and Development and Housing Development Corporation's NYC Housing Connect (2016-2021), NYU Furman Center.

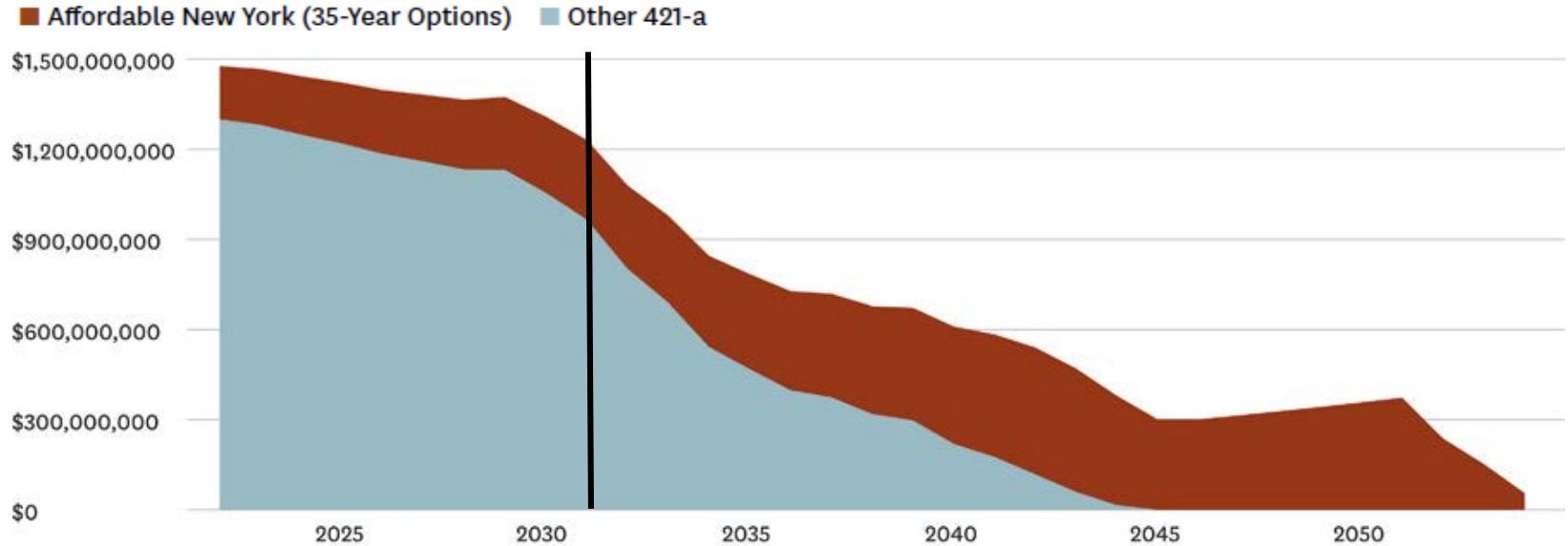
Estimated Tax Expenditure (2022-2055)



Sources: NYC Department of Finance's Property Assessment Data and Property Exemption Data (2021), NYU Furman Center.



Estimated Tax Expenditure (2022-2055)



Sources: NYC Department of Finance's Property Assessment Data and Property Exemption Data (2021), NYU Furman Center.

Governor Hochul's Proposal: 485-w

Rental Tax Exemption Design:

Program	Option	Exemption Period	Size restrictions	Share of Units Affordable by AMI level						
				40%	60%	70%	80%	90%	120%	130%
421-a	A	35 years		10%	10%					5%
421-a	B	35 years				10%				20%
421-a	C	35 years								30%
421-a	E	35 years	300+ units	10%	10%				5%	
421-a	F	35 years	300+ units			10%				20%
421-a	G	35 years	300+ units							30%
485-w (proposed)	A	35 years, Aff forever	30+ units	10%	10%		5%			
485-w (proposed)	B	35 years + perm RS	< 30 units					20%		

Rental Tax Exemption Design:

Program	Option	Exemption Period	Size restrictions	Share of Units Affordable by AMI level						
				40%	60%	70%	80%	90%	120%	130%
421-a	A	35 years		10%	10%					5%
421-a	B	35 years				10%				20%
421-a	C	35 years								30%
421-a	E	35 years	300+ units	10%	10%				5%	
421-a	F	35 years	300+ units			10%				20%
421-a	G	35 years	300+ units							30%
485-w (proposed)	A	35 years, Aff forever	30+ units	10%	10%		5%			
485-w (proposed)	B	35 years + perm RS	< 30 units					20%		

Rental Tax Exemption Design:

Program	Option	Exemption Period	Size restrictions	Share of Units Affordable by AMI level						
				40%	60%	70%	80%	90%	120%	130%
421-a	A	35 years		10%	10%					5%
421-a	B	35 years				10%				20%
421-a	C	35 years								30%
421-a	E	35 years	300+ units	10%	10%				5%	
421-a	F	35 years	300+ units			10%				20%
421-a	G	35 years	300+ units							30%
485-w (proposed)	A	35 years, Aff forever	30+ units	10%	10%		5%			
485-w (proposed)	B	35 years + perm RS	< 30 units					20%		

Ownership Tax Exemption Design:

Program	Option	Exemption Period	Restrictions	Affordability (all units)
421-a	D	20 years	Primary residence for 5 years	Ave. assessed value \leq \$65,000
485-w (proposed)	C	40 years	Primary residence for 5 years	Sales price \leq 130% AMI



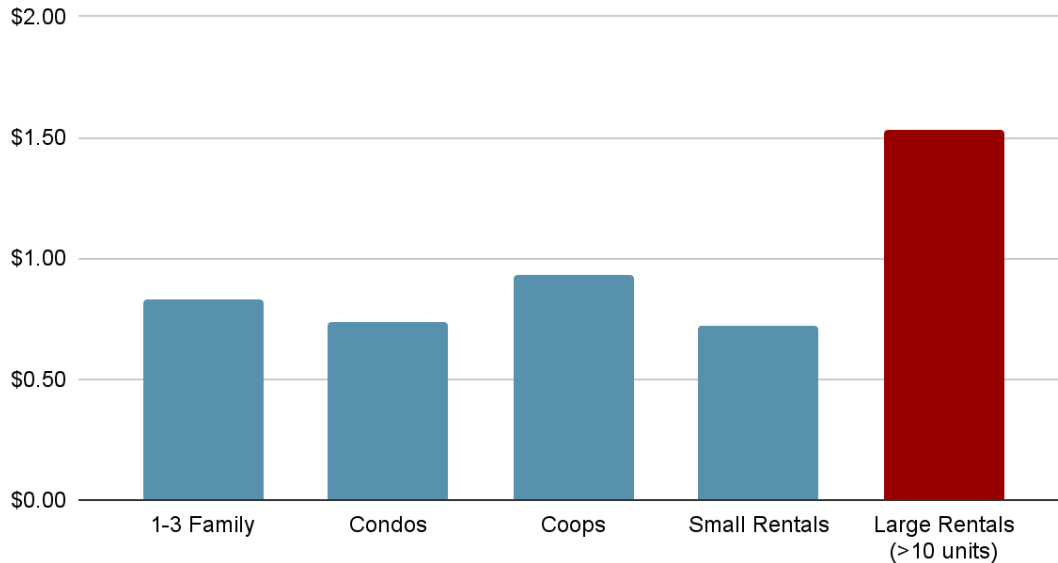
Ownership Tax Exemption Design:

Program	Option	Exemption Period	Restrictions	Affordability (all units)
421-a	D	20 years	Primary residence for 5 years	Ave. assessed value \leq \$65,000
485-w (proposed)	C	40 years	Primary residence for 5 years	Sales price \leq 130% AMI

Broader Calls for Property Tax Reform

Large rental buildings are taxed at a much higher rate than other residential properties

Median Effective Tax Rates by Property Type, Fiscal Year 2021



Source: The Road to Reform: A Blueprint for Modernizing and Simplifying New York City's Property Tax System, The New York City Advisory Commission on Property Tax Reform.

The NYC Advisory Commission on Property Tax Reform released a report with a series of proposed reforms to make the property tax system:



Simple



Equitable



Transparent

Note: these reforms were meant to be revenue neutral



Today's Panelists



Basha Gerhards
Senior Vice
President, Real
Estate Board of
New York



Brad Lander
New York City
Comptroller



Martha Stark
Clinical Professor of
Public Service,
Robert F. Wagner
Graduate School of
Public Service



Barika Williams
Executive Director,
Association for
Neighborhood and
Housing
Development