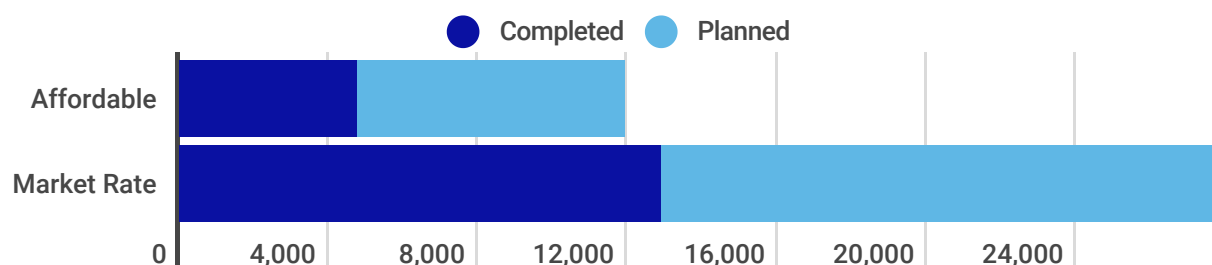


## How Many Units of Affordable Housing Were Built or Are Underway Through the 421-a Affordable New York Tax Exemption Program?

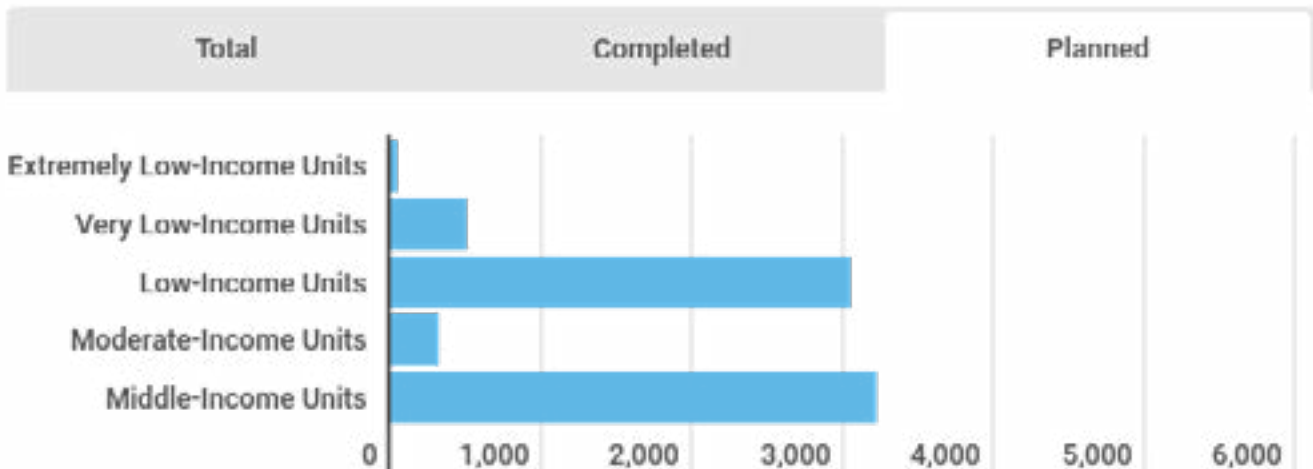
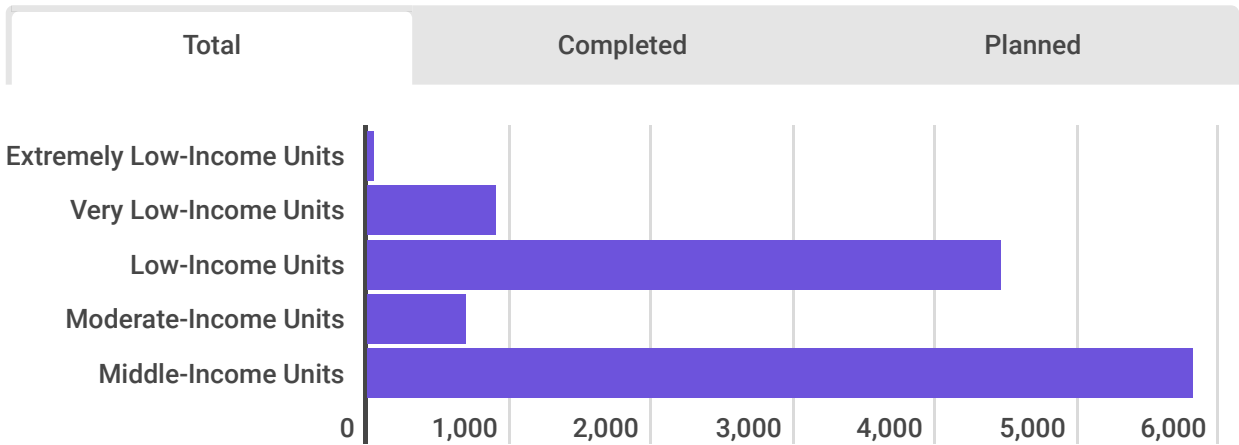
The 421-a property tax exemption expired on June 15 after the state legislature did not renew it during its most recent session. The exemption was created in 1971 as an as-of-right incentive for developers to build market-rate housing in New York City. Later iterations of 421-a, however, have required developers to build at least some affordable housing in order to receive the tax break. Under Affordable New York, the most recent version of the program—created in 2017, but retroactive through 2016 when the program last expired—developers could choose from a menu of affordable housing options, with the share of units set aside as affordable and the affordability level of those units dependent upon the option chosen. In exchange, the projects received a 35-year property tax exemption.<sup>1</sup>

A key aspect to the debate around whether the 421-a exemption should continue as it, be revised, or be eliminated completely has revolved around the question of how much affordable housing the program creates in exchange for its price tag. In fiscal year 2022, 421-a was the city's single largest tax expenditure, totaling \$1.8 billion in forgone property tax revenue for exemptions granted under Affordable New York and predecessor programs. New York City's Department of Housing Preservation and Development (HPD) oversees the affordable housing generated by 421-a, while the tax exemptions are managed by the city's Department of Finance (DOF). As discussions around 421-a are likely to reemerge during the state's next legislative session, IBO examined HPD and DOF data to determine the number of new affordable rental units completed and planned (i.e., the project's financing closed but the project was not yet complete) under Affordable New York since its start through June 2021.<sup>2</sup>

### Nearly 12,000 Units of Affordable Rental Housing Completed Or Planned Under 421-a Affordable New York Program....



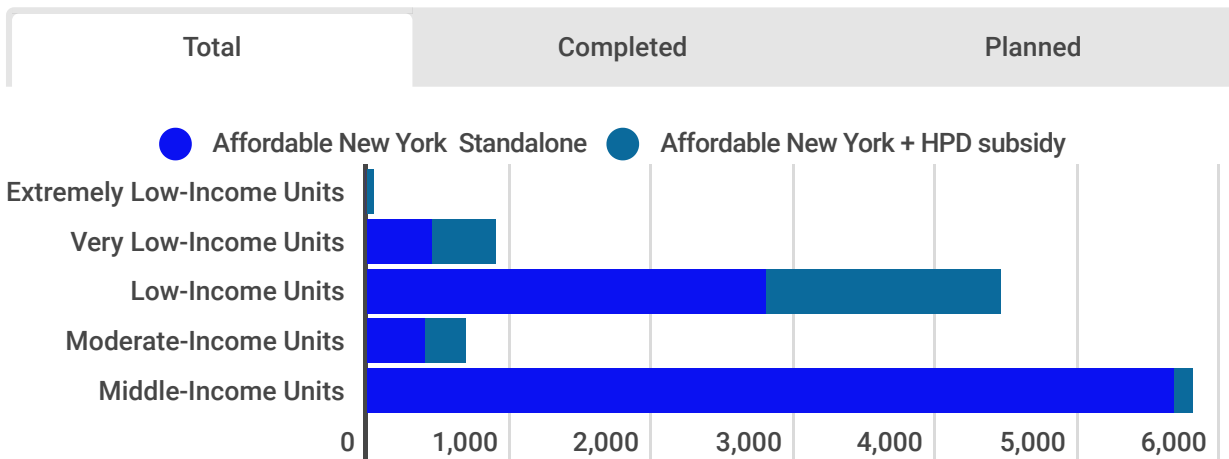
## ...Of Those, Nearly Half Are Reserved For Middle Income Households



In 2021, a two-person household with \$124,000 in income qualified for middle income housing under Affordable New York. [See more](#) on income restrictions for a two-person household under the program.

## Many Units for Lower-Income Households Also Received Other Subsidies

Most affordable units created under Affordable New York were part of projects where the developer received no additional public subsidies. But about 21 percent of units, spanning 23 buildings, not only received the 421-a exemption, but also subsidies in the form of city capital funds, loans, tax credits, grants, or public land. These were overwhelmingly the units serving the lowest income bands. In fact, all of the units for extremely low-income households also received other subsidies; almost half of the units for very low-income and more than a third of those for low-income households received other subsidies.



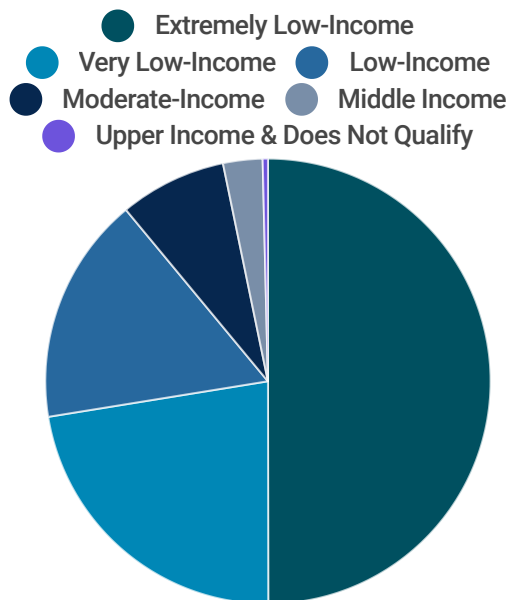


### 421-a Affordable New York Generates Small Share of Lower-Income Units Compared With City Need, Other HPD New-Build Affordable Housing Programs

Using the 2019 American Community Survey, IBO estimated the number of New York City households that are rent-burdened, meaning they pay more than 30 percent of their income in rent. IBO sorted these households by income and household size into HPD's affordable housing income bands to measure how many would qualify for what level of affordable housing. IBO then compared this housing need to the income distribution of units produced by Affordable New York (those without additional public subsidies) and those produced under HPD's other affordable housing programs during the same period.

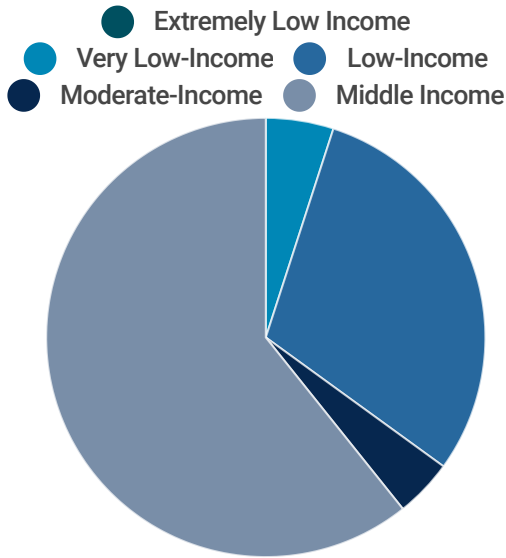
### Most NYC Rent-Burdened Households Qualify for Extremely Low or Very Low-Income Units

*Affordable Housing Income Tier of Rent-Burdened City Renter Households, 2019*



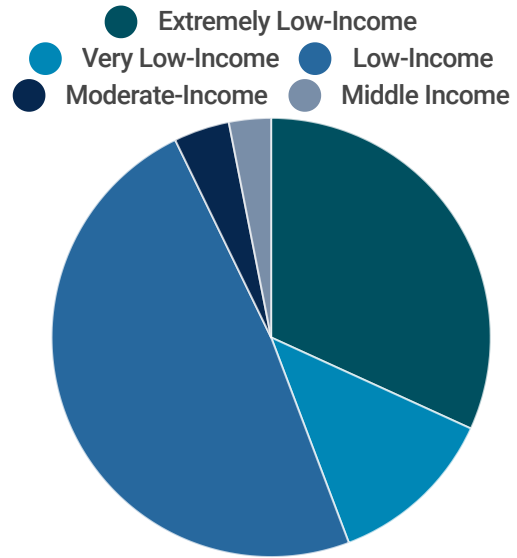
### Most Affordable Rental Units Financed Under Standalone Affordable New York Are Middle-Income

*Income-Restricted Rental Units Planned or Completed Under Affordable New York*



### Other New Rental Units Financed Through HPD Programs Alone Mostly for the Lowest Income Groups

*Income-Restricted Rental Units Planned or Completed Under Other HPD Programs*



NOTE: Buildings that received both the 421-a exemption and other HPD financing were excluded from this comparison

### Most Developers Using Standalone Affordable New York Chose Options That Produced Middle-Income Affordable Housing

*Completed And Planned Affordable New York Rental Projects Without Additional Public Subsidies*

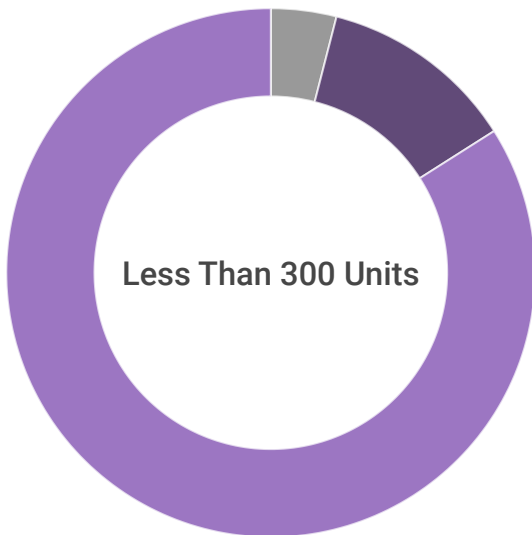
Projects With...

Less Than 300 Units

300 Units or More

Less Than 300 Units

300 Units or More



Option A

10% Very Low Income  
10% Low Income  
5% Low Income



Option B

10% Low Income  
20% Middle Income

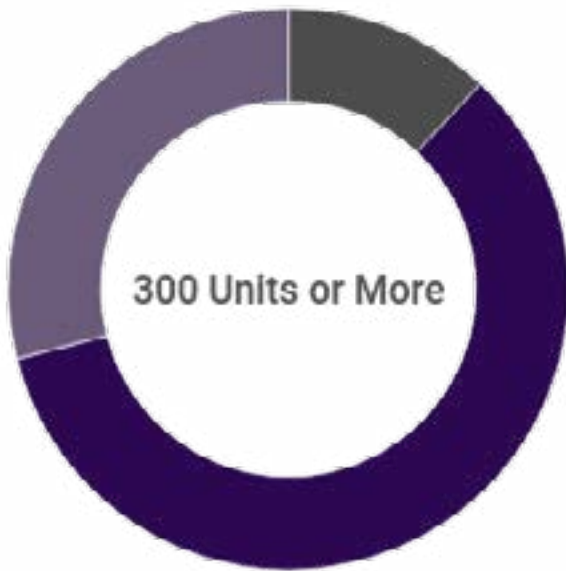


Option C

30% Middle Income  
(Not allowed South of 96th Street in Manhattan)

Less Than 300 Units

300 Units or More



Less Than 300 Units

300 Units or More



Option E

10% Very Low Income  
10% Low Income  
5% Moderate Income



Option F

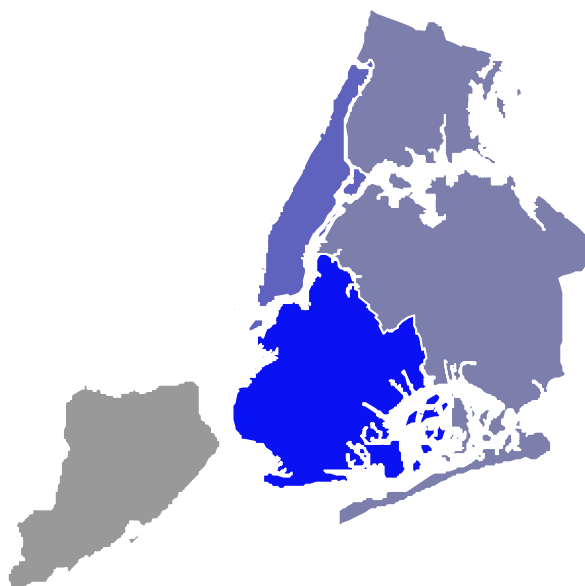
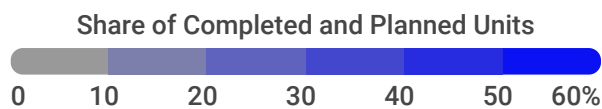
10% Low Income  
20% Middle Income



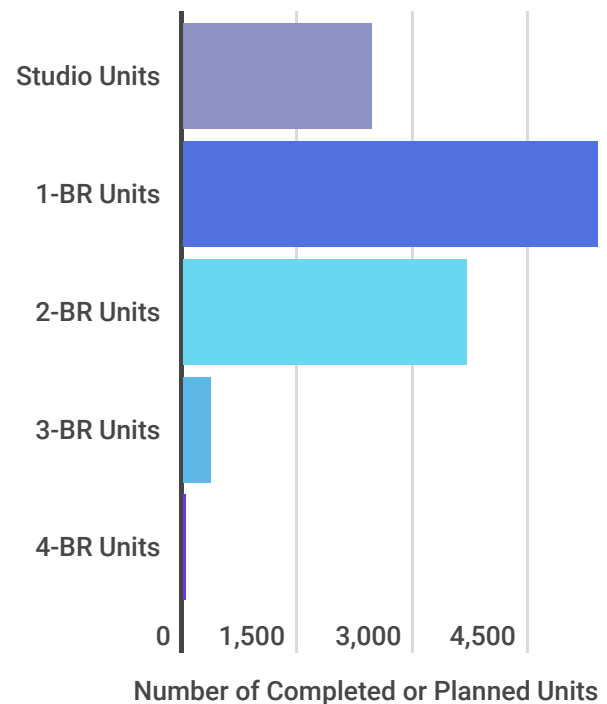
Option G

30% Middle Income  
(Parts of Brooklyn and Queens)

### About Half of the Affordable Rental Units Completed or Planned Under Affordable New York Are in Brooklyn



### Most of the Affordable Units Completed or Planned Under Affordable New York are One- or Two- Bedrooms



Most of the affordable completed or planned Affordable New York units are in boroughs other than Manhattan; outside of Manhattan the option to build only middle-income housing was available. In these boroughs, 67 percent of the affordable units generated by Affordable New York without other subsidies were middle-income units. Rents for middle-income affordable units can be comparable or more expensive than market-rate apartments outside of Manhattan. For example, in 2021, a middle-income 1-bedroom affordable unit under Affordable New York would rent for between \$2,614 and \$2,838 per month, while the average market-rate rent for a 1-bedroom in December 2021 was \$1,965 in the Bronx, \$2,977 in Brooklyn and \$2,289 in Queens.<sup>3</sup>

Data table available [here](#).

Prepared by Alec Goodwin  
New York City Independent Budget Office

SOURCES: IBO analysis of HPD housing start data and DOF property tax exemption data, DOF property tax filing data, 2019 American Community Survey IPUMS microdata, and HPD AMI Bands, Income Levels, and Affordable Monthly Rents for 2019 and 2021.

NOTES: Buildings were counted as part of Affordable New York when a completed building counted under HPD's Housing New York dataset could be matched to an Affordable New York DOF exemption code. Buildings that were not completed at time of analysis, but were flagged as planned to receive 421-a at project start were counted as planned Affordable New York projects. Unit counts and affordability levels are from HPD's Housing New York dataset.

## Endnotes

<sup>1</sup>For previous IBO analysis of the 421-a program, see: [421-a Exemption for One57, Market Effects of the 421-a Tax Break for Condos, 421-a Extended Affordability Benefits, Growth in 421-a Tax Exemption Costs, and How Much Will 421-a Continue to Cost New York City After Its Expiration?](#)

<sup>2</sup>Three projects took advantage of the 421-a(17) Affordable New York extension program, preserving 115 units of middle-income affordable housing and only one project took advantage of Affordable New York Option D, which creates affordable homeownership units; this building is expected to create 58 low-income homeownership units. These projects are not included in our unit counts.

<sup>3</sup>According to December 2021 MNS Market Reports: [bronx\\_market\\_report\\_dec\\_21.pdf](#) (mns.com) [brooklyn\\_market\\_report\\_dec\\_21.pdf](#) (mns.com) [queens\\_market\\_report\\_dec\\_21.pdf](#) (mns.com)



New York City  
Independent Budget Office  
George Sweeting, Acting Director

110 William St., 14th floor  
New York, New York 10038

Tel. (212) 442-0632  
Fax (212) 442-0350  
[iboenews@ibo.nyc.ny.us](mailto:iboenews@ibo.nyc.ny.us)  
[www.ibo.nyc.ny.us](http://www.ibo.nyc.ny.us)



## 421-A Affordable New York Income Eligibility Range For a Two-Person Household

Unit Type	Income Range For a Two-Person Household
Extremely Low-Income	\$0-\$28,650
Very Low-Income	\$28,650-\$47,750
Low-Income	\$47,750-\$76,400
Moderate-Income	\$76,400-\$114,600
Middle-Income	\$114,600-\$124,150

NOTE: Under Affordable New York, a two-person households could be eligible for a middle-income unit if they earned between \$114,600 to \$124,150. But under other HPD programs, a two-person household could earn up to \$157,575 and still qualify for a middle-income affordable unit.