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NEW YORK, NY 10007

FOR IMMEDIATE RELEASE May 7, 2015

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**MAYOR DE BLASIO CALLS FOR SWEEPING OVERHAUL OF TAX BENEFITS TO
SPUR MORE AFFORDABLE HOUSING**

Strong new 421a requirements would eliminate tax breaks for luxury condos, restrict benefits only to buildings with affordable housing, subject all areas of NYC to affordable housing mandate

Proposal would serve lower-income New Yorkers, replace old 80-20 program with new 25 to 30 percent affordable requirements, double the number of affordable apartments built, ultimately serving 65,000 New Yorkers

New 1 percent tax on the most expensive residential property sales to generate up to \$200 million each year to build and preserve affordable housing for more than 95,000 New Yorkers in the coming decade

NEW YORK—Mayor Bill de Blasio today proposed a sweeping overhaul of a tax program to spur a new wave of affordable housing in New York City and stem the housing crisis that is making it so difficult for New Yorkers to make ends meet.

The mayor called for tough new provisions in the 421a program that will expand affordable housing requirements citywide, double the amount of affordable housing it generates, and ensure tax benefits are only granted when new buildings have a minimum of 25 to 30 percent of their apartments set aside as affordable housing. Mayor de Blasio also called for a 1 percent tax on the most expensive residential property sales to generate \$180 to \$200 million each year dedicated solely to building more affordable housing for New Yorkers.

Together, these reforms will incentivize more production of the rental housing New York City badly needs, while eliminating tax breaks and increasing tax rates on the sale of high-cost condominiums, which have driven up land prices across the city. These priorities will be key elements of the City’s legislative agenda in Albany this session.

“No more tax breaks without building affordable housing in return. Period. This can’t be a city of just penthouses and luxury condos. We are turning the page, and making sure the same pressures that have pushed New Yorkers out of their neighborhoods are harnessed to build the next generation of affordable housing. By putting tough new requirements in place for 421a and

raising new revenue from luxury real estate transactions to build affordable apartments, we can ensure that this remains a city for everyone,” said **Mayor Bill de Blasio**.

Reforming 421a

The 421a tax benefit was instituted decades ago to spur residential development at a time when very little new building was occurring in the five boroughs. It has since added an affordable housing requirement, but one that produces only a modest amount of affordable housing for the more than \$1 billion in foregone tax revenue it draws every year. In large swaths of the city – including many booming neighborhoods – no affordable housing whatsoever is required to receive the 421a benefit. As discussions begin on extending and reforming 421a by the June 15 deadline, Mayor de Blasio is seeking changes in the program that would:

- **Double the number of affordable apartments built through the program**, from 12,400 to more than 25,000 over the coming decade, enough housing for 65,000 New Yorkers.
- **Slash the average 421a subsidy needed to build an affordable apartment by a third**, from an average of \$573,000 per unit in rental buildings down to an average of \$391,000.
- **Reach tenants with even lower incomes**, by serving families making as little as \$31,000 for a family of three – well below the current \$46,600.

The reforms behind the objectives are:

Require affordable housing in all areas of the city: The current 421a program only requires affordable housing in 16.5 percent of the city – builders in the remaining 83.5 percent of the city can receive the tax benefit without providing any affordable housing. The City is calling for 100 percent of New York City to be subject to the affordable housing requirement.

Increase affordable housing requirements: The current 421a program requires 20 percent affordable housing, leading to so-called ‘80-20’ buildings, within a modest zone, and virtually no affordability in the rest of the city. The de Blasio administration proposes increasing that requirement to between 25 and 30 percent citywide.

Help more New Yorkers access affordable housing: The affordable housing built through the current 421a program primarily serves a very narrow slice of the population – only those making approximately \$46,600 per year. The City is proposing variations to that model to reach New York families making as little as \$31,000 per year on up to vital segments of the city’s workforce like teachers, nurses and police officers.

Eliminate tax breaks for condominiums: The City proposes eliminating the 421a benefit for condos – which do not require tax incentives to spur construction – and making it a purely rental program. The benefit for condos has produced relatively few affordable units, and to continue the program as-is would impose a cost to the City of approximately \$1.6 million per affordable unit.

Rationalize benefits to match a 35-year affordability requirement: Current 421a benefits expire after 20 or 25 years. The City proposes aligning the length of the 421a benefit to the 35-

year term of affordable units. Benefits would be extended for 10 years at the 25 or 30 percent affordability levels to ensure the affordable apartments remain financed and stable. In addition, ‘80-20’ buildings built under 421a prior to 2008 would be incentivized to keep their units affordable an additional 15 years, and in the process increase their percentage of affordable units to 25 percent.

Eliminate separate entrances based on income: The City proposes eliminating provisions that allow for buildings to have two separate entrances based solely on the income of tenants.

Instituting a City ‘Mansion Tax’

While the unprecedented growth in the city’s luxury real estate market has created challenges, it also represents an opportunity to deliver more affordable housing that protects the diverse, mixed-income communities that make up New York City.

Mayor de Blasio also called for the authority to implement a City ‘Mansion Tax’ on the sale of high-value condominiums, co-ops and one-to-three family homes, with revenues lock-boxed specifically for the construction or preservation of affordable housing. According to recent sales data, the policy would affect approximately the top 10 percent of residential real estate transactions.

The Mansion Tax would institute a:

- 1.0 percent flat tax on residential property sales over \$1.75 million
- 1.5 percent marginal tax for incremental price over \$5 million

This new tool is projected to raise an average of \$180 to \$200 million per year that will be devoted to building or preserving affordable housing under the Housing New York plan – bridging a funding gap Mayor de Blasio highlighted when the plan launched one year ago. That new investment could build 37,000 affordable apartments over the next decade – enough housing for more than 95,000 New Yorkers.

“New York City is in the midst of a housing crisis so severe that the very fabric of our city is in jeopardy. We must stem the tide of a growing inequity before we find more families displaced, before we oust residents who have called New York their home for decades, before we deter innovators and dreamers from moving to the greatest city in the world. With the expiration of the 421a tax abatement looming, we have an opportunity to do just that. Like the Mayor, I am confident that we can rework the program to deliver for New Yorkers. We’re being presented a perfect opportunity to obtain our collective goal of increasing the number of affordable homes in New York City. I applaud and support Mayor de Blasio’s proposal, and I look forward to leading the fight in Albany for its inclusion,” said **State Assembly Member and Housing Committee Chair Keith L.T. Wright**.

“For far too long, despite our prior efforts at reform, the 421-a tax break has been far too big a giveaway of our tax dollars, for far too little affordable housing in return,” said **Council Member Brad Lander, Deputy Leader for Policy and a member of the 421-a Task Force in 2006**. “New York City simply cannot afford to continue to subsidize market-rate development

with no affordability. So I embrace Mayor de Blasio's proposal for reform. By requiring affordable housing in exchange for any 421a tax break, increasing the amount of affordability required, eliminating condos, expanding the options to fit different neighborhoods, and broadening the mansion tax, 421a can become a program that truly supports the creation of affordable housing for New Yorkers who need it."

"421A as it is, does not work. Developers have continuously received tax incentives without giving back to the communities which they are benefiting from," said **Assembly Member Rodneyse Bichotte**. "I support the integrity of Mayor de Blasio's efforts and proposal in overhauling 421 Tax abatement program so that no GEA is exempt from building affordable housing in New York City and that the number of affordable units is increased at a minimal of 30 percent with a realistic Area Median Income to that neighborhood."

"The affordable housing measures supported by Mayor de Blasio will only strengthen rent laws and preserve the stock of the affordable apartments in New York City, yet we must not only seek to preserve affordable housing units, but create them as well. The property tax abatement program known as 421a cannot be extended as is – serious reforms must be made to the calculations of affordable units created if developers wish to seek government subsidies," said **Assembly Member Walter Mosley**.

"I applaud the Mayor for this bold proposal to reform the 421a tax abatement program. For far too long an imbalance has existed between the awarding of the generous 421a benefit and the number and availability of affordable housing units that the abatement is designed to create. This proposal corrects that imbalance and once again puts the priority on creating affordable housing units while expanding the pool of New Yorkers who can live in them. These changes coupled with eliminating the 'poor door' and tax abatements for multi-million dollar luxury condos will go a long way towards ensuring that all New Yorkers have a fair shot at access to high quality housing," said **Assembly Member Rebecca Seawright**.

"For an affordable housing program to succeed in NY, we need cooperation between the real estate industry, local leaders and more importantly, the residents that are impacted. The Mayor's plan is a sensible and fair one that takes into account all of the stakeholders and the original intent of the 421a. This is why I congratulate and support the Mayor's plan," said **Assembly Member Luis Sepulveda**.

"Today's announcement is a vital step in making the Mayor's affordable housing policy a reality. There is much to embrace in this proposal and we are particularly encouraged by the infusion of capital that an increased mansion tax would bring. It might help level the playing field a little for rental housing and will go a long way toward creating new housing opportunities for the many New Yorkers who need them," said **Jolie Milstein, President and CEO, New York State Association for Affordable Housing**.

"The plan put forward by Mayor de Blasio will result in the creation of much more affordable and market rate, multi-family rental housing in New York City. We are strongly committed to continuing our work with the administration and other elected officials to address the City's housing needs. We want to thank Deputy Mayor Glen, HPD Commissioner Been and their teams

who worked tirelessly to come up with an ambitious, yet practical plan,” said **Steven Spinola, President of The Real Estate Board of New York.**

“It is critical that the 421a program supports the development of much needed rental housing for New Yorkers, and Mayor de Blasio’s comprehensive revisions will enable it to do just that,” said **Rafael E. Cestero, President and CEO, Community Preservation Corporation and former Commissioner of the Department of Housing Preservation and Development.** “By providing a series of options, a longer abatement period, and a flexible program, the administration acknowledges the need both for this program and for the diversity of New York City’s neighborhoods. Additionally, by proposing a mansion tax, the administration recognizes that luxury development can pay more to support a more affordable city.”

“New York City has long been our nation’s leader in creating affordable housing for its citizens. This unparalleled success story was fueled by private developers, with a combination of extensive tax incentives, cash subsidies and land owned by our City. This decades-long investment produced hundreds of thousands of homes for New Yorkers. With today’s healthy private housing market and more limited public resources, it is an appropriate time to recalibrate the level of subsidy required to fuel new housing. And of course our more limited resources today should be focused on New Yorkers who need them most. I look forward to learning more about the Mayor's plan to continue New York City's leadership in housing citizens who need us most,” said **Deborah Wright, Senior Fellow in the Economic Opportunity and Assets Division at the Ford Foundation and former Commissioner of the Department of Housing Preservation and Development.**

“The City’s proposal to reform 421a and levy a mansion tax is an important step towards replenishing our affordable housing stock and pulling working families off the brink. Additionally, it is a neighborhood strategy that is helping preserve each community's character and create affordable housing based on the local market’s needs,” said **Judi Kende, Vice President and New York Market Leader, Enterprise Community Partners.** “Today, New York City is in a full blown housing insecurity crisis, with over 600,000 people spending more than half of their income on rent. This is untenable and is destroying the fabric of our communities. We laud the City for seeking to tackle the crisis by doing more at a lower cost through 421a, and by responsibly filling the funding gap in the housing plan through a transfer tax on the top end of the luxury market.”

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