



New York City Council Committee on Housing and Buildings: Review of the 421-a Tax Benefit Program

Testimony of Jolie A. Milstein, President and CEO, NYSFAH
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The New York State Association for Affordable Housing (NYSFAH) would like to thank Chair Williams and members of the Committee on Housing and Buildings for the opportunity to submit comments on the 421-a Tax Benefit Program (“421-a”). NYSFAH is the trade association for New York’s affordable housing industry, with 350 organizational members statewide, employing thousands of New Yorkers, active in the development, preservation, and management of affordable housing. 421-a has been an invaluable tool for the production of affordable housing in New York City, as exemption from real estate taxes is critical to the development of new affordable housing.

We cannot solve New York’s housing crisis without building more affordable units. The 421-a program has led to the creation of thousands of affordable homes in New York City over the last decade. It facilitates mixed income development and guards against concentrating new construction of affordable housing in the City’s lowest-income neighborhoods. The growing demand for more affordable homes means we must continue 421-a and strengthen it to promote broader affordability and ensure what is built today can be sustained in the future.

The 2015 reauthorization of the 421-a Tax Exemption Program offers the opportunity to further enhance the program’s ability to support production of affordable housing in New York City. NYSFAH recommends the following to maintain and strengthen 421-a:

Oppose prevailing wage mandates: The reauthorization of 421-a must not impose prevailing wage for construction workers on sites receiving 421-a abatements. Imposing prevailing wage on projects receiving 421-a would have a devastating impact on residential construction in New York City – including the production of new affordable units. Mandating prevailing wage for construction workers on all sites receiving 421-a benefits would increase construction costs by 50%, making many projects infeasible, cutting the number of new affordable housing units by as much as half, and killing many local, non-union jobs. In addition, the reauthorization should maintain the existing carve-out for projects with 50% or more affordable units for the building service worker prevailing wage requirements.

Serve a wider range of household incomes through more flexible affordability requirements: NYSFAH supports creating a range of affordability options from which to choose to accommodate variations in project financials and market dynamics within the GEA without the use of limited City subsidy. Adopting flexible affordability requirements that work in a range of markets would enable development in areas that are not currently strong enough to cross-subsidize the 20% affordability requirement at 60% AMI without the use of limited City subsidy. These units would also serve a range of incomes, helping the City achieve its goal of

serving hard-to-reach very low and middle income households. In addition, NYSFAFH recommends that the program allow for income averaging, which would help facilitate even greater income mixing within buildings.

Develop a new middle income Negotiable Certificate Program: A middle income 421-a Negotiable Certificate Program would generate new affordable units for this hard-to-reach income band. Re-conceptualizing the new program as middle income would help the City avoid problematic issues that arose under the previous, discontinued version of the Negotiable Certificate Program, including the concentration of affordable units in the City's lowest income neighborhoods and the rapid escalation of land costs in these neighborhoods as 421-a certificate developers aggressively competed for sites. It would also create opportunities for producing a greater number of affordable units than the current on-site 421-a option.

The City can structure the new program to ensure it receives adequate value, including prescribing which moderate/middle income subsidy programs can be used in conjunction with the certificates and requiring a greater number of certificates per affordable unit in stronger markets with higher rental/sales prices in order to receive the exemption benefits.

Match the duration of the exemption to the affordability requirement: In order for 421-a to be an effective tool for the creation units that are both affordable and financially sustainable over the long-term, the length of the exemption for the affordable units should match the duration of the affordability requirement.

We would like to again thank Chair Williams and the members of the Committee for consideration of NYSFAFH's comments.

Contact: Alexandra Hanson, Policy Director Alexandra@nysafah.org (646) 473-1209