421a Tax Break

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CLICK HERE for ANHD's report, 421a Tax Break: Fix it or End it.

CLICK HERE for ANHD Research - 421a maps

ANHD members' 1/29/15 press conference preceding City Council's hearing.

In 2014/15 ANHD is commencing a high-impact phase of our work in a campaign to fundamentally reform the widely used housing tax exemption known as the "421a Developer's Tax Break." In its current form, the 421a Developer's Tax Break gives away massive tax benefits to luxury residential development while asking for little in return. This program is set to expire in June, 2015.

ANHD has built a city-wide coalition of affordable housing advocates and community-based groups who are calling to **Fix It or End It**. The scale of the 421a opportunity is significant. If the program is reformed along the lines of the of policy agenda that our coalition will set out, we estimate that it could produce 40,000 new affordable units. If the program is not reformed, it will produce a fraction of those units, while continuing to drive the luxury development that contributes to rising rents and displacement pressures in low and moderate income communities throughout the City.

421a Tax Break

Definition of the 421a exemption: The 421a Developer Tax Break is an overly generous, as-of-right tax exemption given by the State and the City which automatically exempts developers that build new multi-family residential buildings of four or more units from paying the vast majority of their taxes on the buildings for as long as 25 years. In Fiscal Year 2013 alone, 421a cost New Yorkers $1.1 Billion in deferred tax revenue, and covered more than 153,000 units – only about 8% of which were affordable.

The 421a Developer's Tax Break is both expensive and inefficient. If it had not been given away, the $1.1 billion would have been general revenue to be spent on priorities set by the voters, such as schools, police, and affordable housing. And in exchange for this massive giveaway, the public received relatively few affordable units, at rent levels still too high for many New Yorkers to afford. In certain neighborhoods, developers who want to use 421a must set aside 20% of the units in the development receiving the tax break at 60% of AMI.

But **astonishingly, in most of the City, developers can take advantage of the 421a exemption without having to construct a single unit of affordable housing.** In fact, the 421a Developer's Tax Break is a holdover from an earlier era, initiated in 1971 as an incentive for the private sector to build new residential apartments in a city where, arguably, the private market needed a boost. However, New York City's development landscape in 2014 is a far cry from what it was in 1971. The primary challenge we face today is not whether the market will, on its own, incentivize development; it will. Our task now is to ensure that the future of our neighborhoods is vibrant, inclusive, and equitable, at a time when new residential development is booming at a pace and price that leaves most New Yorkers behind. We do not need to provide this subsidy to simply generate market-rate units.

421a's potential impact is further diminished because even in those parts of the city where affordable units are required, developers have used loopholes to make this already overly generous tax break even more lucrative. **Developers almost always double-dip into programs such as Inclusionary Zoning and city subsidy, but count the same 20% set aside of affordable housing units for each program.**

With the 421a Developer's Tax Break expiring in 2015, the City and State have an opportunity to either end this wasteful giveaway, or transform this program into one that truly serves the needs of the City's communities