

421A DEVELOPER'S TAX BREAK

June 2015 Albany Reforms



Location	Some affordability requirements citywide. Some affordability options excluded depending on geography.	Illegal Hotels	Affordable units may not be rented on a temporary, short-term, or transient basis.
Eligible Buildings	Multi-family Housing, 6+ unit rentals & in outer boroughs only, 6 to 35 unit homeownership buildings.	Rent Regulation	All affordable units are rent regulated and tenants-in-place remain protected for the life of their tenancy, including after the end of the affordability period.
Tax Exemption Length	Increased to 25 year full exemption, plus 10 year partial exemption citywide.	Building Service Employees	Prevailing wage required for all employees in buildings over 30 units, with increased monitoring and enforcement.
Affordability Length	Remained the same at 35 years.	Building Trades Employees	Currently no wage provisions for the building trades in the text of the legislation.
Subsidy / Double Dipping	Varies by option, see below.	<ul style="list-style-type: none"> Representatives from real estate (REBNY) and labor (BCTC-NY) trade associations must execute a Memorandum Of Understanding (MOU) by January 16th, 2016. MOU must include provisions on wages or wage supplements for workers on 15+ unit buildings. MOU may address (i) number of units (ii) application of project schedule by project size and (iii) wage schedules for different areas of the city. 421a Reform legislation goes into effect when the MOU is executed. Developers can apply to retroactively qualify for the new (June 2015) 421a terms. If an MOU is not executed: 421a is suspended. No new 421a applications can be accepted, until an MOU is agreed to and signed. 	
Affordability Requirements	Developers choose any of the 4 options described below to receive 421a, excluding Option 4 in Manhattan and Option 3 in Manhattan south of 96 th street.		
Unit Placement	All units must be located on-site.		
Unit Size	Affordable units must have a unit mix proportional to market-rate units, or at least 50% of affordable units must be 2+ BR, and not more than 25% may be studios.		
Unit Distribution	Affordable units cannot be isolated to a specific floor or area of a building.		
Treatment of Tenants	Affordable units must share street entrances and common areas with market-rate units.		

OPTION A

- Available citywide.
- Multi-family buildings with 6+ rental units.
- No additional subsidy permitted, except tax-exempt bonds and 4% tax-credits

- 75% of units Market Rate
- 5% of units at 130% AMI, \$95,000 - \$110,000 incomes
- 10% of units at 60% AMI, \$41,000 - \$51,000 incomes
- 10% of units at 40% AMI, \$26,000 - \$34,000 incomes

OPTION B

- Available citywide.
- Multi-family buildings with 6+ rental units.
- No restrictions on additional subsidy.
- Actual affordability levels likely negotiated on a case-by-case basis through HPD deals.

- 70% of units Market Rate
- 20% of units at 130% AMI, \$95,000 - \$110,000 incomes
- 10% of units at 70% AMI, \$51,000 - \$59,000 incomes

OPTION C

- Not available south of 96th St. in Manhattan.
- Multi-family buildings with 6+ rental units.
- No additional subsidy permitted.

- 70% of units Market Rate
- 30% of units at 130% AMI \$95,000 - \$110,000 incomes

OPTION D

- Not available in Manhattan.
- Available in all outer boroughs.
- Homeownership only, Condos & Coops.
- Only buildings with 35 units or less.
- No restrictions on additional subsidy.

- 100% of units must have an average assessed value not to exceed \$65,000
- Must remain primary residence for 5+ years

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WHAT DOES THIS MEAN FOR NEIGHBORHOODS:

<p>Manhattan below 96th St</p>	<ul style="list-style-type: none"> Rental buildings most likely to take Option A (10/10/5/75). If IZ counts as additional subsidy, IZ buildings may take Option B, where affordability would be negotiated on a case-by-case basis. Options C (30/70) & D (condo/coop) are prohibited.
<p>Manhattan above 96th St</p>	<ul style="list-style-type: none"> Large 200+ unit rental buildings most likely take Option A. Some may take option C (30/70). <ul style="list-style-type: none"> If IZ counts as additional subsidy, IZ buildings may take Option B. Smaller buildings likely to take Option C.
<p>High Market Outer Borough neighborhoods (LIC, Downtown BK, Williamsburg)</p>	<ul style="list-style-type: none"> Large 200+ unit rental buildings most likely to take Option A. Some may take Option C (30/70). 35-200 unit buildings likely to take Option C (30/70). If IZ counts as additional subsidy, IZ buildings may take Option B, where affordability would be negotiated on a case-by-case basis. Buildings under 35 units most likely to take Option C (30/70) or Option D (condo/coop).
<p>Moderate Market Outer Borough neighborhoods (Jackson Heights, Bushwick, Crown Heights, Grand Concourse, St. George,)</p>	<ul style="list-style-type: none"> Buildings over 35 units most likely to take Option C (30/70). If IZ counts as additional subsidy, IZ buildings in mandatory areas must take Option B, where affordability would be negotiated on a case-by-case basis. Some non-IZ may also choose to take Option B and additional subsidy. Buildings under 35 units most likely to take Option D (condo/coop). Some may take Option C (30/70).
<p>Lower Market Outer Borough neighborhoods (East NY, Flatbush, Jamaica, Melrose, Soundview, Williamsbridge)</p>	<ul style="list-style-type: none"> Buildings over 35 units buildings most likely take Option B (10/20/70). Because new construction would need additional subsidy. Affordability would be negotiated on a case-by-case basis. If IZ counts as additional subsidy, IZ buildings in mandatory areas must take Option B (10/20/70). Buildings under 35 units likely to take Option D (condo/coop).

WHAT QUESTIONS REMAIN:

<p>Building Trades Employees</p>	<ul style="list-style-type: none"> What could / will a REBNY & BCTC-NY MOU agreement look like? How will the MOU address construction wages, given the restriction of not modifying the 421a reform deal's terms? Is the MOU only applicable to members of the two signing entities? Or can be applied more broadly? How will the MOU it be enforced? Especially as it applies to developers who are not REBNY members? What is the recourse if either party violates the MOU?
<p>Location</p>	<ul style="list-style-type: none"> Where will developers take which 421a options? How will that change over time as markets change?
<p>Affordability Levels</p>	<ul style="list-style-type: none"> What share of developers will take Option A, B, C, or D? What does this mean for overall depth of affordable units for the City? Will 130% AMI units be at or above market in some neighborhoods? Will the 130% AMI option add affordable units, or further gentrification, displacement, and neighborhood destabilization?
<p>Subsidy / Double Dipping</p>	<ul style="list-style-type: none"> Does either voluntary or mandatory inclusionary zoning count as 'double-dipping' i.e. is considered subsidy in the 421a legislation?
<p>Tax Exemption Length</p>	<ul style="list-style-type: none"> How much will the increased 35-year exemption length to developers cost the City in lost tax revenues over the long-term?
<p>Rent Regulation</p>	<ul style="list-style-type: none"> How will higher AMIs impact the long-term preservation of 421a units? What are the implications of market-rate units no longer being covered by rent-regulation?
<p>Tenants' Rights</p>	<ul style="list-style-type: none"> How will tenants' rights be protected? How will the City ensure tenants are provided with leases that clearly explain their rights, the affordability length, and the regulations for each unit and for the building?
<p>City Council's Role</p>	<ul style="list-style-type: none"> What might the City Council do with Albany's 421a reforms? <ul style="list-style-type: none"> City Council is empowered to "restrict, limit or condition the eligibility, scope, or amount of 421a benefits." Any City Council changes go into effect in June 2016. Will the City Council impose a more restrictive 421a?