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Gale A. Brewer, Borough President

**Gale A. Brewer, Manhattan Borough President
Testimony for the Committee on Housing and Buildings
On the Mayor's Proposed Amendment to 421-a
June 1, 2015**

Good morning. My name is Gale A. Brewer and I am the Manhattan Borough President. Thank you to Chair Williams and the members of the Housing and Buildings Committee for the opportunity to testify today on Mayor Bill de Blasio's proposal regarding the 421-a Tax Benefit Program.

Since my testimony on the 421-a program before the committee on January 29, 2015, Mayor de Blasio has announced his proposal for 421-a reform. The proposal calls for a higher percentage of affordable units for 421-a projects and for these affordable units to be made available to households within a wider range of annual income levels. Additionally, the proposal also includes a number of items such as prohibiting the eligibility of "Poor Door" developments, eliminating the benefit for condominium constructions, instituting a City Mansion Tax on the sale of high-value homes, and applying the affordability requirement city-wide.

I am pleased to see the Mayor's deep commitment to the development of affordable housing and stand ready to work with the Administration toward making New York City an affordable place to live in for families across all income levels.

With that said, there remain several areas of concerns to the 421-a tax benefit that need to be addressed for the program to continue. The 421-a tax benefit program as it currently stands should not be allowed to continue without these changes.

- 1) **End "Double-Dipping" or Overlapping Subsidies.** Units built to satisfy the affordable housing requirements of 421-a must not be available to be counted toward satisfying the requirements of a second subsidy program. Owners should not get two subsidies for one unit.

I applaud Mayor de Blasio's commitment to increase the percentage of affordable units for 421-a projects with affordable housing requirements located within the GEA, which is all of Manhattan. Ending double-dipping is essentially a similar call to ensure all affordability requirements are maximized—the elimination of double counting units to fulfill multiple subsidy programs would necessitate developers to commit to a higher number of affordable units in order to leverage the same kinds of subsidies—but with the added assurance that, whether at 20% affordability or 50%, no affordable unit is "lost" to double counting to secure more than one subsidy.

- 2) **Required Affordable Apartments Must Be Calibrated To Area Median Income (AMI) Ranges Affordable to the Local Community.** We need to ensure 421-a subsidized

apartments are affordable to local residents. This may require offering rental units at levels well below the program's current requirement of 60% to 120% of AMI.¹

This goal is in the same spirit as the Mayor's call to make affordable units available to households with annual income starting at \$31,000 as opposed to the current level of approximately \$46,000 per year. Like Mayor de Blasio, I also see a need for more housing offered at rents that are affordable for a mix of income ranges, from the very low income to moderate-income households.

The focus of offering affordable housing to a wider range of AMIs must start with those falling within the lowest income bands, often closer to a neighborhood's actual median income level. A 421-a project with on-site affordable units would likely use rental income from market rate or higher-rent units to cross-subsidize the operating costs for units designated for the very low income. For example, an 80% AMI unit can "balance out" the operating cost of a 30% AMI unit, as opposed to having two 60% AMI units that are unaffordable to local residents earning the neighborhood median income. The result will be a building with a range of affordability, making a 421-a project accessible to more than one narrowly defined income group.

3) **Permanent Affordability.** Affordable units developed using 421-a subsidies must remain affordable in perpetuity, either via Rent Stabilization Law or regulatory agreements.

The Mayor proposes to "align the length of the 421-a benefit to the 35-year term of affordable units." What will happen in Year 36? While any extension of affordability is positive, true neighborhood stability will only result from permanent affordability.

4) **Transparency/Data Collection.** I have continuously called for transparency for all projects receiving 421-a tax benefits. Any reform to 421-a must include the requirement that comprehensive data be collected, maintained and made publicly available, tracking each project that receives 421-a benefits. Only then can it be determined whether the subsidies are effective and serving the program's purpose.

In addition to items related to affordability under the Mayor's proposal, I would like to commend the Administration's commitment to eliminate "Poor Door." However, this commitment cannot only be applied to new programs moving forward. We must also revise our current zoning text for the voluntary program. This is the only regulatory framework we currently have and the one that will continue to apply to voluntary inclusionary housing. I look forward to working with the Administration and City Council to achieve this objective.

Thank you for the opportunity to testify at today's hearing. I look forward to continue working with the Administration and with members of the Housing and Buildings committee to extend and preserve affordability to all New Yorkers.

¹ If a project within the GEA receives substantial government subsidies, then 1) buildings with 25 or fewer units must be at or below 120% AMI, or 2) buildings with more than 25 units must be at or below 120% of AMI and cannot exceed an average of 90% AMI. Rental projects outside of GEA must be at or below 80% AMI.