



**Testimony of Habitat for Humanity – New York City  
to the City Council Committee on Housing and Buildings  
Hearing on Intro 202: In relation to area eligibility limitations on benefits  
pursuant to section 421-a of the real property tax law**

**April 24, 2006**

**Testimony respectfully submitted by:  
Roland Lewis, Executive Director,  
Habitat for Humanity – New York City**

## **Introduction**

Thank you for the opportunity to testify today. My name is Roland Lewis, and I am the Executive Director of Habitat for Humanity - New York City.

As an affordable housing advocate and developer, Habitat for Humanity - New York City strongly urges the Committee on Housing and Buildings to pass Intro 202 and extend the existing "exclusion zone" to cover the Special West Chelsea District.

Habitat - NYC was founded in 1984 as an independent affiliate of Habitat for Humanity International, and we build affordable housing in all five boroughs. Our homes are built with the "sweat equity" of our family partner homeowners, who work side-by-side with volunteers. Each year, an average of 10,000 New Yorkers from faith institutions, corporations, schools and civic groups come to build with us and learn more about how to help solve New York's affordable housing crisis.

In addition to building homes, Habitat-NYC is a leading advocate for affordable housing, with the goal of ensuring that every New Yorker has a decent, affordable home. We work to achieve this by creating a social movement to end the housing crisis plaguing New York City and by calling on elected officials to make affordable housing a priority. We were an instrumental voice in the fight for Inclusionary Zoning last year, and this year we are positioning ourselves as an equally effective voice in efforts to reform the 421-a property tax exemption.

## **The 421-a Program**

The 421-a program was created more than three decades ago, at a time when New York was desperate for new development. In today's housing market, however, 421-a primarily works to subsidize luxury housing in upscale neighborhoods, at a huge financial cost to the city. The program - which cost the city \$320 million in lost revenue for 2006 alone - is creating few of the affordable homes that millions of New Yorkers so desperately need.

Habitat for Humanity - New York City and the Pratt Center for Community Development recently released a report on the program and found that:

- The 421-a program has subsidized more than 100,000 housing units since the program's inception. However, according to a 2003 report by the Independent Budget Office, only about 8% of the units are affordable to low- or moderate-income families.

- The cost of the program to the City of New York has grown 250% in just four years, up from \$130 million in lost tax revenue in 2002 to \$320 million in 2006.
- The exemptions are especially lucrative for Manhattan developers, where housing stimulation is least needed. While Manhattan projects accounted for only 23% of all exemptions in 2005, they received over 78% of the value of the tax breaks.
- In some cases, developers contribute as little as 12 to 15 cents for affordable housing (in the Bronx) for every \$1 of forgiven taxes on luxury buildings (in Manhattan).

As developers enjoy these growing tax breaks, the City's recently-released Housing and Vacancy Survey shows that New York City's housing crisis continued to deepen from 2002 to 2005:

- Average tenant incomes were down 5.6%, but average rents were up 8.7. %
- The number of New Yorkers paying more than half of their income in rent grew by 13%, to more than 570,000 households (more than one quarter of all tenants).
- More than 100,000 families are living in overcrowded conditions; and almost 8,000 families are living in homeless shelters.

### **Affordable Housing**

Thanks largely to the "exclusion zone" located between 96<sup>th</sup> Street and 14<sup>th</sup> Street in Manhattan, where developers must develop or contribute to affordable housing to receive a 421-a tax break, a modest amount of affordable housing has been created through this program.

In this area, developers are not eligible to receive any 421-a property tax exemption as-of-right. If they include 20% affordable housing on-site, they are eligible for a 20-year tax exemption under 421-a, or they can chose to purchase "negotiable certificates" that are used to create affordable housing elsewhere in the city.

Yet even with these affordable options, few affordable homes have been created. According to the IBO's 2003 report, only 8% (4,905) of the 60,000 units subsidized through the 10-, 15-, or 20-year 421-a programs between 1985 and 2002 were affordable to low- or moderate-income families (insufficient data is available on the 25-year exemption to determine affordability). And this was prior to a significant increase in 421-a projects awarded in the past four years, as the real estate market has boomed and affordability has diminished.

Despite the astronomically high prices of the current rental market, the remainder of New York City outside of the “exclusion zone” - including Tribeca, SoHo, Wall Street, Harlem, the Lower East Side, Brooklyn Heights, Park Slope, Long Island City and Astoria - any new developments can receive 421-a “as of right” without any requirement to build affordable housing onsite or through the negotiable certificate program.

One such area that currently falls into the “as of right” zone is the area of the Special West Chelsea District. By passing Intro 22 and allowing for the expansion of the exclusion zone to cover this area, developers who chose to take advantage of the 421-a property tax exemption will be required to include 20% affordable housing onsite, or to purchase negotiable certificates to build affordable housing offsite.

In the community of West Chelsea, where market-rate and luxury housing availability far surpass that of affordable units, it is evident that this expansion would bring a much-needed resource to those who can not afford such high rents.

### **Conclusion**

Although the 421-a program served a valuable purpose when it was originally designed, times have changed significantly and the program is in dire need of reform. The 421-a program represents a huge loss in tax dollars, with little public benefit. It is time to leverage these tax dollars to effectively foster the housing that New York City needs most - affordable homes. Habitat for Humanity - New York City strongly urges the Committee on Housing and Buildings to pass Intro 202 and extend the existing “exclusion zone” to cover the Special West Chelsea District. And as the Mayor’s Task Force continues to discuss the future of the 421-a program, we urge you to strongly support the overall expansion of the “exclusion zone” to neighborhoods that do not need subsidies to stimulate housing production.

**Example of a 421-a development in the Special West Chelsea District that was not mandated to create the affordable housing requirement:**

**“The Marais”**

520 W. 23<sup>rd</sup> Street, at 10<sup>th</sup> Ave.

BBL 1-694-42 (primary address 514 W. 23<sup>rd</sup> St.)

107 co-op units, 3 commercial units

Developer: Hudson Companies

421-a giveaway in FY 2005-2006: \$719,801

Total 421-a giveaway over 10 years: \$4,558,065, or \$42,599 per residential unit

<b>520 W. 23rd St.</b>							
Built 2003, 107 residential units, 3 commercial units							
Developer: Hudson Companies; owner: Frank Guidara							
<b>Year</b>	<b>421-a Year</b>	<b>Market Value</b>	<b>421-a Exempt Value</b>	<b>Tax Rate (class 2)</b>	<b>Step-down</b>	<b>421-a Giveaway</b>	<b>Change in market value</b>
2003-2004	1	\$17,200,000	\$7,426,720	12.620	100%	\$937,252	
2004-2005	2	\$12,600,000	\$5,356,720	12.216	100%	\$654,377	73%
2005-2006	3	\$13,600,000	\$5,806,720	12.396	80%	\$719,801	108%
2006-2007	4	\$13,200,000	\$4,501,376	11.44972	80%	\$515,395	97%
2007-2008	5	\$13,728,000	\$3,511,073	11.44972	60%	\$402,008	104%
2008-2009	6	\$14,277,120	\$3,651,516	11.44972	60%	\$418,088	104%
2009-2010	7	\$14,848,205	\$2,531,718	11.44972	40%	\$289,875	104%
2010-2011	8	\$15,442,133	\$2,632,987	11.44972	40%	\$301,470	104%
2011-2012	9	\$16,059,818	\$1,369,153	11.44972	20%	\$156,764	104%
2012-2013	10	\$16,702,211	\$1,423,919	11.44972	20%	\$163,035	104%
<b>Total lost tax revenue over 10 years</b>						<b>\$4,558,065</b>	
<b>Per unit</b>						<b>\$42,599</b>	

**Marketing Information (quoted from the development’s website)**



[http://www.hudsoninc.com/past\\_projects/marais/index.html](http://www.hudsoninc.com/past_projects/marais/index.html)

The Marais, 520 W. 23rd Street, is a 107-unit luxury cooperative apartment building developed by Hudson and offered for sale in 2002-03. The building contains studio, one- and two-bedroom units and is one of the premier new developments in West Chelsea.

In developing the Marais, Hudson capitalized on the growing appeal of the West Chelsea art district and the building's proximity to Hudson River Park and Chelsea Piers. Hudson also

recognized the limited supply of new for-sale studio to two-bedroom units with luxury finishes in Manhattan.

The building's many amenities include 24-hour concierge service, a panoramic rooftop and landscaped rear yard, bicycle room, an artisan detailed lobby with Brazilian limestone and custom Italian wood paneling, granite kitchen counters and stainless steel appliances. Many of the units have outdoor space and washer/dryers and all units have great light and sweeping views.

All units at The Marais have been sold. The building is managed by Lisa Management.

Recently sold:

- Studio, 469 sq. ft., \$499,000  
<http://www.trulia.com/property/9690514/>