

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON HOUSING AND
BUILDINGS JOINTLY WITH THE
COMMITTEE ON FINANCE

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Housing and Buildings

Justin Brannan,
Chairperson for the Committee on
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3 SERGEANT AT ARMS: Good morning. This is a
4 microphone check for the Committee on Housing and
5 Buildings jointly with Finance. Today's date is
6 October 23, 2025, located in the Chambers, recording
7 done by Pedro Lugo.

8 SERGEANT AT ARMS: Good morning and welcome to
9 the New York City Council hearing of the Committee on
10 Housing and Buildings jointly with Finance. At this
11 time, can everybody please silence your cellphones?
12 If you wish to testify, please go to the back of the
13 room to fill out a testimony slip. At this time and
14 going forward, no one is to approach the dais. I
15 repeat no one is to approach the dais. Chairs, we
16 are ready to begin.

17 CHAIRPERSON SANCHEZ: [GAVEL] Good morning. I'm
18 Council Member Pierina Sanchez, Chair of the
19 Committee on Housing and Buildings and today's joint
20 hearing with Chair Brannan and the Committee on
21 Finance examines how New York City uses the property
22 tax code to build and preserve affordable housing.
23 What we spend, what we get and how we ensure
24 compliance. Before I continue, I want to acknowledge
25 that we're joined by our colleagues, Council Member
Louis, Salaam, Abreu, Powers and Carr.

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First, on the scale of investment, in Fiscal Year 2025, the city provided about \$4.5 billion in residential real property tax incentives intended to support new construction and preservation yet despite these massive annual investments, New York City of course remains in a housing crisis. The 2023 housing vacancy survey as we often cite, found a 1.41 percent rental vacancy rate citywide, the lowest since 1968 and just a 0.39 percent vacancy rate for apartments renting below \$1,100. A functional rate of zero.

Quality is sliding too. HPD logged a record 835,011 housing conditions in Fiscal Year 2025 including a 12 percent increase in heat and hot water complaints, clear signals of aging systems that demand costly repairs and better enforcement.

So, what are these programs and who benefits? There are too many to name but we'll highlight a few. Article 11 to start. Allow HPD to partner with Housing Development Fund corporations to rehabilitate or build affordable housing and grant long term partial or full property tax exemptions, often up to 40 years. When affordability and regulatory requirements are met. That's what we on the Council spend a lot of our time thinking about. In Fiscal

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Year 2025, 218 Article 11 exemptions, 145
residential, 73 commercial, covering 12,673 housing
units or \$43.7 million were spent on this program,
tax expenditure. J51 was reformed last year. It is
a tax abatement and exemption to offset the cost of
qualifying rehabilitation and system upgrades,
including roofs, boilers, façade, code work in rental
and certain co-op and condo buildings that need
affordability or program criteria. Owners receive an
abatment over time tied to certified reasonable
costs, rent stabilized during the restriction period
and owners must wave MCAI major capital improvement
rent increases for J51 assisted at work.

In Fiscal 2025, this program reopened so we're
looking forward to HPD and DOF telling us about how
the new authorized program has been going. These
incentives also incentivize green housing. The solar
electric generating systems abatement is a four year
abatment to support solar installations, generally
up to 30 percent of eligible costs capped.

In Fiscal 2025, 22,075 abatements totaling in
\$41.6 million were awarded. We seek outcome metrics,
including energy produced, emissions reduced to
assess what we're getting here. 420C is one of the

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many programs that are layered in affordable housing deals. 420C is a fuller partial exemption or abatement for low income housing owned or controlled by a nonprofit affiliated entities and financed with LYTEC, a federal subsidy program, subject to an HPD regulatory agreement of up to 60 years.

In Fiscal 2025, 2,555 properties having 96,662 units cost the city \$479 million. We want clarity on affordability levels here. HPD enforcement actions, including revocations for noncompliance and whether property stacked with 420C and are also receiving other benefits and what those are.

Co-op and condo abatements are a partial tax abatement for owner occupied condo and co-op units that include requirements like primary residents, ownership, uhm, ownership restrictions and need not read the rest there. Fiscal Year 2025, we had 60,353 condo units and 247,306 co-op apartments receiving this abatement at a cost of \$694 million. Recent audits by the Comptroller found ineligible recipients and concurrent and compatible benefits, highlighting the need for stricter eligibility screening and periodic audits.

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Finally, the Mitchell Lama tax exemption. It's a longstanding exemption and financing tool for middle income rental and co-op developments with regulated profits, rent charges and sales. Many properties layer this with other subsidies and we are looking today at the new shelter rent tax law that passed this year in the state that is further reducing local tax burdens which are capped based on the shelter rent. We want to understand how HPD reports how many - excuse me, how HPD and how the Department of Finance is ready to administer these changes.

So, what's missing is clear, we want more public oversight. This conversation today is meant to be a conversation that we continue on in the new year and beyond because across programs, there is a lack of accessible information about how New York City agencies monitor, enforce and when needed, revoke benefits for owners who violate regulatory agreements or fail basic housing maintenance code standards. For example, Article 11's project projects collectively showed tens of thousands open violations just this year. Nearly one per unit, we're talking about a large universe, including many immediately hazardous Class C violations. We're looking for

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answers on when and how benefits are suspended, what correct timelines are imposed and whether claw backs are ever used by our city agencies. We want to learn from what didn't work, right? We know that the previous iteration, for instance of 421 A, also called affordable New York produced too few deeply affordable units at a very high public cost, \$1.8 billion was spent in 2022 for 2,000 units. 94 percent of which were affordable were subsidizing units that were affordable to 130 percent of AMI. Just very high.

We don't want to repeat that pattern. We have a new program, how is 8485 X working? What is the city doing to analyze the progress? Every dollar that we use must provide verifiable affordability and a good living quality. So, how are we doing?

And finally, we want to balance production and preservation. While adding homes to every neighborhood is essential, New Yorkers already living in subsidized housing must not be left in buildings that deteriorate. Preservation cannot be an afterthought and we are proud of the work that this Council and the Administration through your Code Enforcement and cities due to hold landlords

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accountable but we have to do both parts. We have to ensure that our incentives are working as they should and also strengthen the sticks, the penalties that we have.

So, today's hearing, we'll do three things. We'll quantify for each program, how many developments and units are benefiting, at what cost, what affordability levels are we getting? We'll ask about oversight for each program and we'll ask for impact. What is - how is the Administration measuring success in exchange for these programs?

Finally, we're considering two resolutions for Majority Leader Amanda Farias to stabilize the Mitchell Lama portfolio and - yeah, we'll close it there and the bottom line is that New Yorkers are paying billions and forgone taxes each year for housing outcomes that must be affordable, habitable and verifiably delivered. Our job is to make sure that these incentives work and are enforced for the people that they are meant to serve.

With that, I want to thank the Committee Counsel Billie Eck and Austin Malone as well as the entire team. I'm looking across different documents here. My district team of course, Maria Villalobos, Ben

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3 Ratner, our legislative fellow Dillan Compos and the
4 entire team on the H&B side.

5 And with that, I will now recognize Chair Brannan
6 for opening remarks on behalf of the Committee on
7 Finance.

8 CHAIRPERSON BRANNAN: Thank you Chair Sanchez.
9 Good morning, I'm Council Member Justin Brannan,
10 Chair of the Finance Committee.

11 Today's oversight hearing examines how effective
12 New York City's \$4.5 billions in housing tax
13 incentives really are and whether those dollars are
14 actually helping us bring down the cost of living for
15 working and middle class New Yorkers. The cost of
16 housing in the city has gotten completely out of
17 control. For too many New Yorkers, rent or mortgage
18 payments eat up more than half of their income.
19 That's not sustainable. It means that families can't
20 save, can't plan and too often can't stay in the city
21 they love.

22 So, if we're serious about making New York
23 affordable, we have to get that number down.

24 Each year the city allocates billions of dollars
25 through tax abatements, exemptions, and incentives

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meant to promote affordability. That's real money
and the question is, what are we getting in return?

Today, we'll be digging into how these programs
are structured and administered, including Article
11's, Mitchell Lama, J51, 485X, which represented the
old 421A program and asking some hard but fair
questions. Are these incentives actually creating
and preserving affordable housing? What levels of
affordability are we getting in exchange for tax
relief? Are those benefits going to the buildings
and neighborhoods that need them the most? Are we
rewarding good actors or are we subsidizing landlords
who neglect their tenants? And are we conducting a
real cost benefit analysis to ensure that the public
benefits outweigh the cost of incentives themselves?

We all know New York City's vacancy rate is at
historic lows and construction costs are high. That
means we can't afford to assume these programs are
working as intended. We have to measure outcomes and
be willing to reform or replace programs that aren't
delivering results. Programs like Mitchell Lama and
J51 have played a major role in creating and
preserving affordable housing for decades but times
have changed. We need to know whether the

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affordability we're buying today matches the scale of
the crisis we currently face.

The same goes for 485X. Are we getting the kind
of housing we actually need? Housing that's truly
affordable to the people that need it most. And
let's be real, none of this exists in a vacuum. Our
property tax system remains fundamentally broken,
outdated, inequitable, and confusing for homeowners,
renters and developers alike.

Until we fix the property tax system, we'll
always be patching it with short term incentives
instead of building a fair, transparent foundation
that provides for long-term affordability.

These programs aren't producing the results New
Yorkers deserve, then it's on us as lawmakers to
rethink, redesign, or create new tools that deliver
better outcomes, because good intentions aren't
enough. In a housing crisis, we need proof that
these investments are working.

Our goal today is to get clarity from our
agencies and ensure that they have the tools, data
and accountability to make these incentives deliver
real results. That means lower housing costs,

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stronger communities in a city where regular people
can still afford to live and thrive.

Before I turn it back to my Co-Chair, I want to
thank the amazing Finance division staff who help
prepare for today's hearing, including my Committee
Counsel Brian Sarfo, Counsel Nick Connell, Deputy
Director Emre Edev, our Chief Economist Dilara
Dimnaku(SP?) and Economist Hector German.

And with that, I'll turn it back over to Chair
Sanchez. Thank you.

CHAIRPERSON SANCHEZ: Thank you Chair Brannan.
I'd now like to turn it our Committee Counsel to
administer the oath.

COMMITTEE COUNSEL: Thank you. Please raise your
right hand. Do you affirm to tell the truth, the
whole truth, and nothing but the truth before this
Committee and to respond honestly to Council Member
questions?

PANEL: Yes.

COMMITTEE COUNSEL: Thank you. You may begin when
you're ready.

KIM DARGA: Alright good morning. Good morning
Chair Sanchez, Chair Brannan, members of the
Committee on Housing and Buildings and the members of

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the Committee on Finance and members of the public.

My name is Kim Darga and I am the Deputy Commissioner at the New York City Department of Housing and Preservation and Development.

I am testifying alongside my colleagues Lucy Joffe, Deputy Commissioner for Policy and Strategy,. Kerry Labotz, Assistant Commissioner for Preservation and Finance. I also have today Tricia Dietz, Assistant Commissioner of Housing Incentives and Justin Donlon Deputy Director of Land Use and Stakeholder Engagement joining us.

Thank you for the opportunity to testify today on the critical role that tax incentives play in preserving and developing affordable housing for New Yorkers. HPD's mission is to ensure that every New Yorker has a safe, affordable place to call home and the utilization of property tax incentives are among HPD's most powerful tools to develop, preserve, and stabilize affordable housing across the five boroughs. Here's why, property taxes can account for approximately 40 percent or more of a multifamily buildings operating costs. By reducing property tax obligations, HPD's tax incentive programs make it possible to create new affordable housing that might

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not otherwise be built, allow owners to reinvest in their existing buildings, maintain safe and livable homes, and provide long term affordability.

In exchange for these benefits, owners commit to meeting specific affordability requirements and restrictions as part of a regulatory agreement. As part of HPD's preservation efforts, specifically these tools also help to protect existing tenants, stabilize neighborhoods, and create a cost effective path to maintaining and expanding affordability across the city.

While we know there is always more that can be done, these tools have been critical for enabling HPD to achieve record levels of affordable housing production in this last year.

In Fiscal Year 2025, HPD produced 28,281 units of affordable housing, an increase from 25,552 units in Fiscal Year 2024. Of those 13,000, 361 units or 47 percent were new construction and 14,920 units or 53 percent were preservation projects, a notable increase from last year's preservation production.

Nearly all of these projects relied on a residential property tax benefit. Including some

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projects that require close collaboration with the
City Council.

Beyond affordability requirements, each
transaction helps us meet other critical housing
goals. A few of these other outcomes include
providing housing for households to exit shelter,
helping existing housing, improve efficiency and meet
Local Law 97 requirements and providing housing to
meet the needs of older adults.

HPD administers a broad range of programs
designed to meet the diverse needs of New York City's
housing stock. We deploy property tax incentives,
often in combination with subsidy, rental assistance,
low income housing tax credits, and zoning
incentives, all to preserve existing housing and
develop new affordable homes.

HPD outlines the eligibility criteria and level
and type of city assistance and program term sheets
that seek to address specific housing goals. These
term sheets undergo rigorous review to ensure public
resources are being deployed effectively. These
powerful tools enable us to address building specific
physical and financial needs and to maintain the

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flexibility to solve for an ever changing type number
and type of housing challenges.

HPD supports creation of mixed income and
affordable housing. Owners commonly construct new
mixed income housing with programs like 421A, 45X, or
467M. For HPD's new construction projects, in which
100 percent of the units are affordable, the project
will typically receive a full residential property
tax exemption allowing HPD to deepen the
affordability of residential rents and house formerly
homeless households and seniors.

A typical project financed through our new
construction finance, senior affordable rental
apartments and/or supportive housing loan programs
will utilize a combination of capital subsidy, a
property tax exemption, low income housing tax
credits and in many cases, rental assistance and/or
inclusionary housing.

These projects often utilize a full residential
exemption through 420C or to a lesser degree rely
tech is not used Article 11.

HPD provides tax incentives typically through
Article 11 along with investment of subsidy to
support creation of new homeownership opportunities

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through Open Door and the Affordable Neighborhood Cooperative program. And for HPD's preservation projects, HPD supports a wide range of properties from co-op and condo buildings, HDFC cooperatives and Mitchell Lama properties to rental properties including housing that may or may not have been rent stabilized or already regulated by HPD or another agency.

Our tax exemption tools enable owners to manage operating costs and make building renovations while maintaining or creating affordability. The type and level of exemption which could include Article 2, 420C, J51, or Article 11, along with other programs, uhm and whether a tax exemption is combined with other city financial assistance depends on the type of housing and the specific needs of the property.

Two of the programs are narrowly focused on specific types of housing with Article 2 supporting Mitchell Lama properties and 420C supporting existing LIHTC properties. Outside of these programs, there are two main tax exemption programs that provide support for existing housing, J51 and Article 11.

Certain rent stabilized buildings low cost condo and cooperative buildings and Mitchell Lama

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properties can apply for a J51 abatement to offset the costs of qualifying repairs while keeping rents and maintenance costs low. The program was recently reauthorized by the state legislature and City Council but it expires again in June 2026. Support for an extension of this program is critical. Without quick action by the state legislature and then City Council, owners of low cost housing will lose a critical support for capital repairs.

Given the inconsistent authorization of J51 over the last decade and limited eligibility for other programs, Article 11 has often been the sole option to reduce operating costs within existing housing and provide affordability. The exemption is designed for housing owned by a housing development fund corporation, a type of entity limited by state statute to own affordable housing. Article 11 is the most flexible of tax exemption programs used for both preservation and new construction including homeownership, cooperatives, community land trusts and multifamily rental housing. The program has allowed HPD changing needs, housing needs within a changing regulatory resource and economic environment. The level and duration of the benefit

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for a period of up to 40 years can be established based on the needs of the property and within the requirements of HPD program terms. This flexibility is balanced by the Council's role in reviewing and approving authorization for every Article 11 transaction.

Our goal across all of HPD's housing finance programs is always to ensure that affordable and low cost housing remains viable in a city with increasingly high costs. Any project receiving a tax benefit through HPD is screened for compliance with statutory and programmatic requirements and recipients have to meet ongoing compliance requirements.

Over time, HPD, where the agency has the authority to do so, has refined and modified requirements to ensure tax exemptions are effectively used to achieve housing goals. HPD has made significant changes in recent years in response to stakeholder and City Council feedback including to requirements and our systems to monitor and hold owners accountable.

At the in property management team conducts monitoring to evaluate the physical and financial

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status of HPD's portfolio, intervening when necessary to bring buildings back into stability and compliance. Though it is always preferable to work with an owner to stabilize the building, meet affordability and quality conditions that HPD requires through its regulatory agreement and maintain the tax benefits, HPD will escalate to enforcement and benefit revocation when necessary.

HPD welcomes ongoing collaboration with the Council and our partners to refine and improve these programs. In direct response to Council feedback, we are currently rolling out a new Article 11 engagement process to strengthen transparency coordination and communication with Council Members around Article 11 projects seeking approval in their districts.

This process will engage Council Members much earlier, beginning approximately three months before project closing with preliminary project information. Our engagement will continue over the following months with HPD providing Council with more important details such as the summary of the scope of work, details on violation clearance, and affordability requirements. Throughout the process, HPD will assist in facilitating any necessary engagement with

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the project applicant and where preferred by the
Council Member with tenants.

We look forward to working with the Council to
ensure the success of this new process. More
broadly, we always welcome partnership in identifying
buildings in your districts that can benefit from our
Article 11 tax exemption program and our other
programs.

Tax incentives are a key piece of achieving our
shared housing goals. We look forward to continuing
to partner with the City Council to ensure that our
tax exemption tools can create the conditions to
ensure we are developing, preserving and stabilizing
housing to meet New Yorkers needs. Thank you very
much.

PIERRE DEJEAN: Good morning Chair Sanchez, Chair
Brannan, as well as members of the Housing Committee
and Finance Committee. My name is Pierre Dejean. I
am the Assistant Commissioner for Property Exemptions
Administration. I am joined by my colleague Ted
Oberman, he is the Director of Commercial Exemptions
at the Department of Finance.

Department of Finance is the administering agency
for dozens of property exemptions and abatements.

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Each year, the Department of Finance oversees an annual expenditure of real property taxes of around \$8 billion. These expenditures support older and disabled New Yorkers who are enrolled in our rent increase exemption or homeowner exemption programs. They help businesses find new commercial storefronts and we assist not for profits, like our houses of worship by relieving them of their property tax burden so they can better serve our communities.

The city's biggest investments are made into affordable housing through programs like 421A, J51, and 420C. The investment totals over \$2.7 billion annually. The Department of Finance works day in and day out with taxpayers to make sure these benefits are delivered on time and fairly.

Our sister agency, Housing Preservation and Development are on the front lines of each one of these programs but we have an amazing working relationship that ensures compliance, and proper delivery of these benefits. In addition to the city's bigger development benefits, the Department of Finance manages the Co-op Condo Abatement program, otherwise known as CCA. There are roughly 330,000 units enrolled, totaling an annual tax expenditure of

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almost \$700 million. This is one of the city's largest benefit programs that we manage and it is a vital affordability tool for many homeowners who live in a co-op or condo.

In 2024, the Comptroller conducted an audit of the CCA program for Fiscal Years 2019 to Fiscal Year 2023. The Comptroller's Office found that the Department of Finance generally ensured that the condo and co-op owners who receive tax abatements in Fiscal Year 2023 met all the eligibility requirements of the program. In addition, auditors found that out of the 300 or so thousand units, that 720 units had been found to have not been eligible for the benefit. The auditors along with the Department of Finance staff, found that over five years between FY19 and FY23, the city granted \$6.5 million in benefits to those units out of roughly \$3.25 billion in benefits administered during that time period.

The Department of Finance worked with auditors in the Comptroller's Office more broadly to comply with the audit. The Department of Finance generally agreed with the audits recommendations and we're always looking to improve our processes. The agency took the following steps to address the many issues

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that were brought up. Removal of Co-op Condo Abatements from the co-op units and developments included those that one, did not classify as Tax 2 properties, those that were receiving the UDAP exemption and units owned by business entities. We recovered as much as \$6.2 million in abatements that should not have been granted. We ensured that the submitted prevailing wage affidavits are saved, reviewed for correctness and associated with correct developments. We ensure that the error from an eligibility code carried over from an old prior computer system had been corrected and is no longer in use to prevent our new system, property tax system, eligibility checks, which have been bypassed in the past to ensure that ineligible developments and owners are not granted the co-op abatement.

We also conduct periodic sample based testing to check for ineligible units, receiving the abatement. These recommendations were not only agreed to last year but they are also actively in practice today. The Department of Finance's mission is to administer the tax and revenue laws of the city fairly, efficiently, and transparently to instill public

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confidence and encourage compliance while providing
exceptional customer service.

The city's tax exemptions are a core function and
one that comes with great responsibility. Our work
is better and fairer because of the accountability
that we are held to. I would like to thank the
Council for this opportunity to testify today. I'm
happy to take any questions.

CHAIRPERSON SANCHEZ: Thank you. Thank you so
much for your testimony, very helpful. I want to
acknowledge that we have been joined by Council
Members Hudson, Brewer, Restler, Majority Leader
Farias, Majority Whip Brooks-Powers and Council
Member Feliz on Zoom.

Okay, I'm going to start with the first round of
questions and then we'll go over to Chair Brannan and
then just so you know Council Member Restler, Brooks-
Powers and Brewer, you are - we have you in that
order. Okay, so question one, just to make sure we
are on the same page, what is the total value of real
property incentives? The city provided for
residential properties between fiscal 2024 and 2025.

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PIERRE DEJEAN: For Fiscal Year 2025, the total value of real property incentives was \$4.5 billion and for Fiscal Year 2024 it was \$4.3 billion.

CHAIRPERSON SANCHEZ: Okay, thank you. You may not have this in this way, but HPD for a typical new construction project, can you share with the Council an estimated average net present value for the different incentive programs that are layered onto a project? So, the unit - how much subsidy or incentive a unit is receiving when you layer on LIHTC and 421A or 485, Article 11, rental assistance, subsidy? Just to give us a sense of scale.

KIM DARGA: Uhm, I don't think I have it exactly that way but let me share what I can tell you today and then we can follow up if there's more specific questions. So, a traditional new construction, 100 percent subsidized by HPD will receive a full residential property tax exemption. They may also apply if there is a uhm kind of commercial condo within it for ICAP for the commercial component.

So, full residential property tax exemption, there will be capital subsidy, the amount varies depending on the programmatic execution. So, for our extremely low, low income program versus our senior

program versus supportive housing, which are the three main variations, that can range from like 75,000 to a little over 200,000 per unit.

The subsidy in part depends on whether or not there's a rental assistance, right? So, that variation can be dramatic in part because of rents and then rental assistance. So, it is very common in supportive housing and our senior housing projects that the city is allocating some form of project based rental assistance either through like the 15/15 program or project based Section 8. Those are the two most common forms.

Nearly all low income - nearly all new construction 100 percent affordable projects also receive an allocation of low income housing tax credits. Either nine percent credits or four percent credits and so that really - that allocation drops the subsidy to what would normally be without it - about 450,000 a unit down to the numbers I quoted before. And then many, not all but many of our projects also take advantage of the various zoning incentive programs, some inclusionary housing.

It is very common for 100 percent affordable projects to receive all five of those that like to

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participate of all five of those various financial assistance programs. Uhm, and then often times properties will be trying to take advantage of other programs that may be offered by the state so through NYSERTA, uhm etc....

So, I don't have the NPV but we can certainly try to follow up and see if we can get you that estimate.

CHAIRPERSON SANCHEZ: Thank you and do you have off the top of your head for a recent project, you don't have to tell us which of course, but what percentage of the total development cost was covered by the layering of these five programs?

KIM DARGA: Uhm, I don't. Let me see if I can get that uhm and we can either follow up during the hearing or afterward.

CHAIRPERSON SANCHEZ: Thank you.

KIM DARGA: It is a very significant percentage.

CHAIRPERSON SANCHEZ: Yeah, thank you. Uhm, okay, I'm going to ask about Article 11, then I'll turn it to my colleagues. So, first again just making sure we have - we're on the same page in terms of numbers. How many properties currently receive Article 11 tax benefits?

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KIM DARGA: Uhm, so overall from - so you can get up to a 40 year benefit. Currently, there are about 3,400 properties that receive Article 11 benefits from the city.

CHAIRPERSON SANCHEZ: Thank you and could you share for a recent year last year Fiscal 2025, 2024, what the total annual value of the tax expenditure was?

KIM DARGA: So, in Fiscal Year 2025, we authorized Article 11 exemptions equivalent to just under \$20 million and I don't recall, I think that is for slightly over 6,000 units but I need to double check that.

CHAIRPERSON SANCHEZ: Okay, so that's for Fiscal 2025 and so, that's the annual expenditure in Fiscal Year 2025. Can you give us a range of again the net present value of the Article 11 tax incentive from you know lowest to highest of programs that are currently participating or buildings that are currently participating?

KIM DARGA: Yeah, I don't have the MPV numbers with me today but uhm for year one, cost estimates, the average is a little over \$3,000 a unit.

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CHAIRPERSON SANCHEZ: Thank you. You spoke a bit about process in your testimony and we have been talking at length about process among Council Members and the Administration, so thank you for those ongoing conversations. I wanted to ask for the record; can you describe your process of outreach to owners in the city that might be able to benefit from Article 11. Are Article 11's limited to buildings and properties that have a particular cooperative structure? Like do they have to be HDFC's or can anyone - can any property qualify that is residential and then after your outreach process, eligibility and outreach process, can you tell us about the vetting process for how HPD evaluates buildings and applications for Article 11 benefits.

KIM DARGA: Sure, so I'll start and maybe speak more broadly and then I'm going to turn it over to my colleague Kerry Labotz to talk about preservation specifically. Uhm, so uhm eligibility, so in order to be eligible for an Article 11 exemption, the property has to be owned or be a project of an HDFC. If the property is not currently owned by an HDFC, it has to be transferred to an HDFC to be eligible.

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Not all owners are interested in doing that, right and so, that in and of itself is one of the main factors that an owner may account for in deciding whether or not they want to apply for Article 11. That's very different then let's say, J51 or 45X, which does not actually have an ownership requirement right? Any owner can apply. The type of benefit is going to vary by type for let's say J51. Co-op and condos are different than a rent stabilized housing - or sorry, the eligibility criteria for those types are different but Article 11, the main requirement is that it is owned by a housing development fund corporation. That means that under state statute, it is an entity that was formed to own and manage affordable housing. Okay, uhm, so we do various types of outreach uhm about our work - one more thing I want to actually explain about that.

So, I mentioned this in testimony but Article 11 is used very broadly to support all types of HPD affordable housing work, from new construction to preservation to support rental housing, creation and preservation of rental housing as well as homeownership. Most commonly HDFO cooperatives, which are limited equity cooperatives.

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Uhm, so we do a range of type of outreach. We do it most extensively when it comes to existing housing. And then otherwise in new construction, usually applicants are seeking other financing from us. So, it really is through other financing programs. Uhm, we do community events, stakeholder and trade events to talk about our programs. We provide information through partner organizations, so for example, we work with some community development finance institutions to administer one of our moderate rehab programs. They will then help educate potential applicants about options. We created a loan finder tool that's available on our website. Every program is available on our website, so if anybody googles us, you're looking at HPD financing programs, you can definitely see everything. It is publicly available information. We get referrals from Asset Management, enforcement and other agency partners. Uhm, certainly a fair amount from our asset management team. We have done targeted outreach to owners. There are a lot of owners that have HUD assisted properties that had Article 5 exemptions. Those exemptions had been expiring. They were up to 40 years initially. They've been

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expiring, so we've done targeted outreach where
there's expiring benefits.

We have had a landlord ambassador program in the
past where we have a nonprofit that works with
property owners and they help educate them about
potential HPD programs and we're hoping to get a new
owner resource center up and running relatively soon.

Uhm, so there are - oh and we actually have one of
these today. This is like our little one pager fact
sheet that like any - we could print out and use
anywhere. It's on our website as well, that
basically has the main programs that are available
with property owners with some very basic
eligibility.

Uhm, we do tabling events. So, there's like a
wide range of work that we do. I do want to say and
I'm going to turn it over to Kerry in just a second
that one of the challenges we've had in the last
couple years, we know that especially when it comes
to existing housing, there's been really rapid
escalation of operating costs and our tax exemptions
are really, really, really important to helping
owners that have lower cost housing be able to
continue to pay the bills, to do capital

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improvements, and unfortunately during this time when we would have loved to get out there much more aggressively, HPD also had pretty substantial staffing issues, particularly in the preservation teams.

So, we've continued to do this work. One thing that we would like to do more of is more targeted outreach to not just properties that have like expiring benefits but in the past, we've been able to work with asset management or our neighborhood strategies team to look at buildings that have certain characteristics and be able to do a bit more tailored outreach to them. We'd love to be able to do that again, but unfortunately until we work through some of the backlog that we've had in preservation due to severe staffing issues, we don't think it is a good idea because we're worried that people will just wait longer and be very frustrated that we can't help them.

So, I don't know Kerry if there's anything else that you would add to that but that's kind of the overview. Oh yeah, vetting, sorry that was the other thing we wanted to talk about.

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KERRY LABOTZ: So, in terms of application review, Article 11 is in preservation finance, specifically are paired with projects that receive city capital, as well as standalone Article 11 exemptions.

So, we're initially vetting the applications through the applicable term sheet and sizing the exemption where there is capital to ensure that we're utilizing that resource efficiently and where there is no capital, to ensure that the standalone exemption is supporting not only the upfront affordability, but long term affordability as well as the financial viability for the full term of the Article 11.

So, each application goes through the individual program to review against the applicable term sheet. Once we reviewed, the project is briefed with City Council. The project goes to a hearing and we are closing the project, completing our due diligence, and closing on our regulatory agreement. Once the regulatory agreement is in place, the project has closed, our tax incentive staff review for eligibility for final eligibility and issue a certificate of exemption.

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With that, that goes to DOF and the regulatory agreement that effectuates the Article 11 exemption.

CHAIRPERSON SANCHEZ: Thank you and I know we've talked at length about specific projects that have come through the Council that to us, standalone projects right, not as a part of you know being a part of a specific term sheet program or anything else but standalone projects that don't seem to rise to the level of what some of us as colleagues think that we should be subsidizing, think that we should be providing Article 11's for.

Specifically, buildings or properties that have very low levels of violations right and housing maintenance code issues. So that's one thing that we would love to continue to have conversation about. I'm glad to hear that you're looking at how you can work even closer with asset management and other parts of HPD to make sure that we're targeting these resources to buildings that it the most.

Just a quick follow up with respect to eligibility. You said they must be an HDFC. It's a challenge for the agency to work with buildings that may not want to become HDFC's that are privately incorporated now.

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Would you say that that is the largest barriers in considering the buildings that have the highest number of violations, the biggest issues? Is that one of the biggest barriers to engaging with them and having them go through Article 11's?

KIM DARGA: Yeah, so just to take a step. So, a property that incorporates as an HDFC, they're typically incorporated as nonprofit. You can incorporate as a business corporation, which is usually for HDFC cooperatives or nonprofit corporation. A property that is owned by an HDFC and is incorporated under nonprofit law, uhm in order to transfer title to the property later would have to get consent from the generals office and there are restrictions on how sales proceeds are used. So, for a property owner right, thinking about restrictions that may not just relate to the term of the benefit but also a potential sale of the property well down the road, even outside of the regulatory term. That is a really serious thing to consider and whether or not an owner is willing to do that.

Uhm and so that's very different than like a program where J51, where you know an existing owner of a rent stabilized like lower cost rent stabilized

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housing or a condo or cooperative, low cost condo or co-op owner can apply without transferring title or setting up a special purpose entity in order to qualify for the benefit okay? That is a big decision that owners have to make and whether or not - and because Article 11 is outside of J51, really the only tool that we have in preservation. It is probably one of the initial big factors that an owner has to assess in order to decide whether or not they're going to work with the city, okay?

Outside of that, you know we do screening on every project. We won't finance a project that doesn't comply with our program term sheets. Uhm and we, as Kerry mentioned just a moment ago, we do outside of just you know screening from eligibility from the term sheet perspective, which in the term sheets outlined how much benefit we're willing to provide and what their general requirements are for qualifying for that benefit. We also do a lot of due diligence on projects. So, individually each project is underwritten, we look at who is applying for benefits, we do review of that entity, we look at the portfolio that the owner across New York City.

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We know that owners that are applying for assistance through our preservation programs have buildings that have needs otherwise, an owner isn't going to necessarily sign a regulatory agreement with us, right? Because we are going to restrict the use of the property. And do owners that have lots of options, are going to go seek other options. If it makes sense to them, owners that need our help have to sign that agreement and so there is kind of a screening process involved there. And we know that there are issues in the buildings. The question in our mind when we're reviewing is - is the owner addressing the issues? And is the assistance we're providing going to help address those issues and stabilize the housing long term right? And so, we'll review for violations, owners are required to clear violations of its existing housing, prior to closing unless they're related to the scope of work, that the assistance is helping the owner undertake.

We look at the overall portfolio. They have to address violations in their portfolio. Municipal debt in their portfolio, regulatory compliance in their portfolio in order for us to be comfortable moving forward. We work with DOI to do checks on

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properties to see if there are issues or applicants -
issues that we should know about. We look at
eviction history. We look at a range of factors to
understand who we're doing business with, right? Our
goal is to stabilize the housing and keep it
affordable long term. So, again, we know there are
issues today and the question is really or not, do we
have - do we believe after doing our due diligence
that the owner is going to address those issues there
and that the property will be more stable and
affordable as a result of the intervention.

CHAIRPERSON SANCHEZ: Thank you. I want to have
a conversation maybe at the end when I'm not holding
up my colleagues but uhm about how the benefits are
tailored but just quickly before I move onto Chair
Brownie- Chair Brownie. Chair Brannan and my
colleagues uhm just wanted to touch on a finding.
So, in the City Council in budget negotiations in the
past two years, we've included in our terms and
conditions a request or requirement for HPD to submit
information to us about Article 11 properties. In
the most recent report that you submitted to the
Council in January 25, 2025, the report included
1,000 - reporting on 1,265 Article 11 subsidized

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projects, which had 43,386 open, uncorrected violations of the Housing Maintenance Code as of that time. Which is about one per unit.

Of these 13,228 were classified as Class C immediate hazards. So, on that vein that you just mentioned, violations are required to be corrected unless they're part of the scope of work. Can you help us understand this violation data that you submitted to the Council? Are these violations a part of the scopes of work that you're identifying with these properties? Are they concentrated in certain portfolios? Are they concentrated in Article 11 properties that have had the Article 11's for a long time or are they newer? Can you share insights on that?

KIM DARGA: Those are great questions. So, I terms and conditions report is useful. It is a snapshot in time and it doesn't get to some of the nuance that you just raised. Uhm, it's violations of the time of the report. Uhm and just to take a step back, so talking today about the policy and the approach that we take to sizing discretionary exemptions today, right? HPD has been providing discretionary exemptions including through Article 11

1 for decades and agency policy has shifted to some
2 degree over that time. Even in the last decade,
3 which is the period of the report, uhm, just taking
4 our work and preservation uhm we have imposed
5 additional requirements on projects overtime. We
6 live, we learn, right? We take that feedback and we
7 try to do better and uhm, so for example, starting
8 not quite five years ago, maybe 20- late 2021, 2022,
9 we started requiring that any property applying for a
10 standalone exemption for us, not paired with subsidy,
11 would have to do a physical needs assessment pursuant
12 to HPD dictated methodology through one of the
13 qualified vendors that is on that list. Uhm, in the
14 past, we would ask owners to clear violations but we
15 didn't have a standard way to assess building
16 conditions and to assess whether or not owners needed
17 to do additional work at the point and time of our
18 intervention in that property.

19
20 So, this is a really significant shift and we
21 have looked at the data -

22 CHAIRPERSON SANCHEZ: When did that start?

23 KIM DARGA: I think it was late 2021, early 2022.
24 We issued new term sheets for a couple of the
25 standalone programs around that time and it was

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integrated into the new term sheets. Uhm, we've been requiring that for subsidy programs for a long time but only more recently for the standalone exemptions. That has made a difference right, so projects that we finance now with the standalone exemption, they're doing a comprehensive assessment. We see what is in that assessment. We understand what the upcoming needs are in the property and owners have to do the work that is outlined for the near term that are in that assessment.

If they're not getting subsidy from us, they have to enter into a housing repair agreement and that repair agreement dictates the scope of work, the timeline to complete that work, and also if there are violations that are clear when that work is completed.

And so, and we then follow up so the preservation team run by Kerry here follows up with applicants or owners down the road to make sure they've actually completed the work that they outlined. That's been a major shift and when we looked at the terms and conditions data, we found that there is for projects that have completed their construction, there was a very significant difference even pre and post when we

made that change and certainly once they complete the work, there's a drop in violations, which would be expected.

Uhm, the other thing that I would just note and then I'll turn it over to my colleagues if they have anything to add, is that uhm not only has like the agency policy shifted, the type of issues we're solving for have shifted a little bit pre-2019 reform to rent stabilization laws. One of the biggest things that we were solving for with the stand alone exemptions was loss of affordability due to deregulation, right? That's a very different set of challenges that we were solving for then the types of issues that we are often trying to solve today. You know we're really prioritizing our preservation projects based on urgency of need, right? That doesn't mean that we're also not solving for affordability but it's a major shift in the focus and so, looking at conditions wasn't our first and foremost priority. Back in 2015, 2016, 2017, 2018 right?

Uhm, the one other note is that the average violations is relatively high that you're going to see there. That's really driven up by a handful of

1 projects. The median violation count, BNC violations
2 is about 0.3 and that's pretty modest. We do know
3 that there are a handful of projects and portfolios
4 that have had higher sustained violation issues.
5 They are on our radar and so, I can turn it over to
6 Lucy to talk a little bit about kind of the
7 monitoring that we do of those projects, if it would
8 be useful.
9

10 LUCY JOFFE: Great thank you and as Kim has laid
11 out, as our focused has changed and some of our
12 policies and practices preclosing have changed, so
13 has our work on the asset management side, both in
14 response to some of the new information that's coming
15 in but also feedback that we're getting from various
16 stakeholder, including members of the Council.

17 So, we are monitoring all of these projects post-
18 closing and I'll underscore what Kim said about the
19 report. What you're seeing is the snapshot in time
20 of buildings that are in various processes of getting
21 - or various stages of reaching stabilization, right?
22 And ultimately that is what we are trying to achieve
23 by bringing these buildings into regulation, being
24 subject to the additional monitoring that the asset
25 management team is doing. We are attempting to bring

buildings into better standards and basically overall stability.

So, on an ongoing basis depending on the specifics of the regulatory agreement, which has changed over time as our focus has changed, we do collect proactively documents from the owners, such as bank statements, evidence of insurance, rent rolls. We're looking for indications of operational or financial concerns; physical distress often follows from those. And so, we monitor on an ongoing basis trying to look for both, both from the documents that owners are giving but also from our own independent assessments looking at violations etc..

What do we think is going on and are we on the path towards stability? I will note there that violations absolutely are one good indicator of challenge but not the only physical distress. There are any number of reasons why tenants and New Yorkers generally are not always quick to call 311, so we do have to look at other indicators and that's something that we try to do across our work at HPD.

Our preference is always to bring a building into compliance. It is better for the residents. It's

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1 better for the neighborhood, it's better for everyone
2 and really, the regulatory agreement and those
3 additional conditions that we've put on are really
4 geared toward helping us do that.
5

6 When we - uh and the vast majority of owners,
7 even when they are struggling are trying to work with
8 us and we are absolutely seeing in this environment
9 and you alluded to this in the beginning, there are
10 rising costs right now that are bigger jumps for
11 buildings then we've seen and we are having to work
12 with owners creatively to adapt to those challenges.
13 But that proactive monitoring that we're doing and
14 really that we're investing in and cross agency
15 collaboration right, you'll see there are members
16 from across HPD at this hearing today. That really
17 represents the work that we are doing across offices
18 at HPD to monitor the portfolios to get ahead of
19 challenges. We're always going to try to when we see
20 an issue, bring an owner in, figure out ways that we
21 can start trying to bring them into better standing
22 for the benefit of the tenants, benefit of everybody.

23 There is a process of escalation over time where
24 we do identify buildings of particular concern that
25 we are worried about and we will move towards

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heightened monitoring and a series of progressive steps that we will take in terms of intervention, starting with lighter touch, again because the goal is bringing people into compliance but with that backstop of stricter enforcement and all of these buildings will continue to get monitored or responses from enforcement neighborhood services. Should tenants have concerns in the buildings, it's one of those ways that we make sure we are approaching the problem as holistically as possible.

CHAIRPERSON SANCHEZ: Thank you so just to get concrete about that understand the goal of bringing property owners into compliance understand that the escalation. How many Article 11's have you- has HPD revoked in the last five years and what brought you to that stage?

LUCY JOFFE: I'll take the second question first and then the first one. Uhm, we will move through these heightened steps of escalation. So, it will begin with every attempt to bring the owner into compliance assessing, diagnosing what we think is going on. Over time, if that does not seem to be working or you know as we diagnose the problem, heightened monitoring, we will look to remove or

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1 replace a property manager. That can be an important
2 intervention. We also can condition future agency
3 involvement or actions on compliance. We need to see
4 X so that you can continue with Y. There are some
5 buildings where we determine a financial workout is
6 what's necessary. That could be with HPD financing
7 or external financing. Uhm depending on the
8 circumstances we may see replacement of the board,
9 transfer of ownership, bringing in a preservation
10 buyer, right. All of these steps that are really
11 geared towards stabilizing the property. The reason
12 why, then we would move to revocation of benefits.
13 The reason why that really is an action of last
14 resort, not just because you know we're trying to
15 move through the steps and it's for the good of
16 everybody but that regulatory agreement that is
17 associated with the benefits is incredibly powerful.

18 When generally, if we revoke the benefits, we
19 don't have those same conditions put on the property.
20 I is in everyone's best interest that we continue to
21 have this backstop of saying here is what you are
22 being held to and we are working to bring you into
23 compliance. We have and unfortunately uhm,
24 unfortunately we have had to revoke benefits when
25

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we've determined that we cannot bring this owner despite these steps into compliance and we don't see another path forward. I did not bring five year data but I can say within the last year, we've revoked benefits twice.

CHAIRPERSON SANCHEZ: And then what happens to those properties?

LUCY JOFFE: It can depend on whether they are in a standalone situation or they have other subsidy or some other regulatory agreement on the property and what the terms of the regulatory agreement were and what caused the default but benefits can be seized and there may or may not be that regulatory agreement on the property anymore. That is as I mentioned usually one of many subsets happen. So, it's if you're in that place, that's probably not the only thing that's happening.

CHAIRPERSON SANCHEZ: Thank you. I will stop now for now and Chair Brannan will ask his first round.

CHAIRPERSON BRANNAN: Thank you Chair Sanchez. Uhm, can you tell us how many projects have received 485X benefits to date and how many affordable units have been created as a result?

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KIM DARGA: I would be happy to bring my
colleague Trisha Dietz up here.

CHAIRPERSON BRANNAN: We got to swear her in.

TRISHA DIETZ: Hi.

CHAIRPERSON BRANNAN: We got to make you street
legal first.

COMMITTEE COUNSEL: Do you swear to tell the
truth, the whole truth, and nothing but the truth
before these Committees and to respond honestly to
Council Member questions?

TRISHA DIETZ: Yes.

COMMITTEE COUNSEL: Thank you.

TRISHA DIETZ: Uhm, Council Member, thank you for
the question. So, about the 485X portfolio and what
we've seen so far, so the state passed the
legislation in April of 2024 and we put in place the
rules for the program in January of 2025, and that
allowed projects to start applying to the program.
We have received - so there's two different parts for
the program. So, there's a registration process and
then there's also a workbook process and an
application process.

So, the registrations come into HPD within six
months of starting construction and then there was

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also a period of in time where projects could submit registrations when they had already started construction. So, to date, we have - uhm approximately 150 buildings that have submitted registrations and that registration data is public and we are anticipating to update that approximately twice a year, so we will have rolling data for that available.

In addition to that in terms of workbooks, we've received approximately 100 workbooks that are under review for projects. There's approximately 250 units that are currently in marketing and we have started as of this fall approving benefits for the first projects under 45X and apologies, because that number changes so frequently right now, I don't know that I have the exact number of benefits that have been granted.

CHAIRPERSON BRANNAN: So, how long has these applications been open?

KIM DARGA: It's the beginning of this -

TRISHA DIETZ: Yeah, beginning of this calendar year. We provided the application materials and the rules in January.

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CHAIRPERSON BRANNAN: Okay and is there a plan or have we conducted a cost benefit analysis to measure how much affordability the city will receive for each dollar of forgone tax revenue?

KIM DARGA: So, uhm maybe Lucy can step in here too but we you know ultimately the state legislature was involved in the final shaping of it but HPD did a lot of analysis during the discussions at the state level and so, we know that the benefit that we're providing is achieving overall the affordability goals that are outlined in the legislation. But Lucy can talk more specifically about that.

LUCY JOFFE: Yeah what we would say is on a purely financial basis, uhm new construction tax incentives like the 421A program, now the 485X program can provide a very efficient use of city dollars for getting affordable housing, particularly in neighborhoods where we don't usually get it. Many of you are very used to hearing me come up and talk about to those benefits and the importance of us building in all neighborhoods across the city and so, 485X is one of the ways that we do that.

We also in moving from the old program to the new program, have - will now have deeper levels of

1 affordability that increases the benefit to the city
2 overall as well and is an improvement on the earlier
3 program. Obviously, the new program also has a
4 number of less tangible benefits but there are things
5 like labor participation requirements, etc.. And so,
6 there are a number of ways that we assess the value
7 of these programs but overall, we do believe this is
8 a really beneficial program to the city and the cost
9 benefit is worth it for us, especially when we're
10 thinking about the affordability that we get in
11 neighborhoods where we might not otherwise get it.

12
13 CHAIRPERSON BRANNAN: So, I guess in Layman's
14 terms, how do you consider if something is uhm how do
15 you measure if we're getting a good bang for our
16 buck?

17 LUCY JOFFE: I actually am sort of a Layman here.
18 I am not a finance person but I oversee the teams
19 that do this work but we look at the cost of what
20 we're sending and we compare that to the benefits
21 that we're getting that can be measured in terms of
22 the affordability.

23 CHAIRPERSON BRANNAN: Right, I understand but
24 what signifies the success there? What signifies
25

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that the tax break is worth it? How do you measure that?

KIM DARGA: I mean, I think the simplest way to measure it that the program is being used and we are creating the affordability right? If we - if the restrictions were uhm too much compared to the benefit, you would not see people using the program. So, that's success number one.

And we are seeing some good initial uptake, so we do believe that the program is helping create affordable housing and new housing supply in New York City. And the second is that we're getting the affordability that is outlined in the program.

LUCY JOFFE: Right, so we would not - these are all new affordable homes and affordable housing that we wouldn't otherwise get. If those buildings were built but without 45X, they might not - they would not have affordability. They might not even be rentals, right? They are more likely to be condo's or co-ops or some other form of housing. So, one of the ways we would look at it is that the buildings are getting built and that we are getting types of housing that we might not otherwise get in neighborhoods we would not otherwise get it.

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KIM DARGA: Right, I think one of the - right, the mixed income programs are achieving a couple things, right? We are getting new housing created in New York City and we are getting new affordable housing created in New York City. I think I just saw for the first three quarters of this year, we had some of the highest new housing completions in many, many, many, many years. And that is a result in large degree of some of the regulatory changes include those approved by City Council but also as a result of the property tax incentives that we are offering to facilitate new affordable housing construction in New York City.

CHAIRPERSON BRANNAN: Okay I want to ask some questions about Mitchell Lama. Uhm, the Resolutions fixing the value of tax exemptions for Mitchell Lama developments predate online record keeping. I think most of these Resolutions were adopted by the Board of Estimate, which was abolished back in 1990. So, the Resolutions can be difficult to track down without knowing the specific date on which they were granted.

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So, how does the Administration maintain a record or file of the Board of Estimate Resolutions that grant the Mitchell Lama exemptions?

KIM DARGA: Yeah, so we have copies of all of the original Resolutions.

CHAIRPERSON BRANNAN: Okay and how is the Administration - if you need backups, Gale has them if -

How is the Administration tracking this information to ensure that the tax bills are prepared accurately?

KIM DARGA: So, just maybe we can step back a second. So, last session during I think the budget negotiations at the state level, there was a new change to the Mitchell Lama tax exemption that was authorized at the state level that reduced the property tax burden from having a ten percent shelter rent tax to a five percent shelter rent tax. That is basically as of right for all Mitchell Lama properties now.

Uhm, it does not require local authorizing legislation any longer and as long as the properties remain Article 2, incorporate as Article 2 companies and they submit the information we need in order to

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process the benefits, they will get those benefits.

It is basically as of right. And so, we have maybe just to take that one step further, our team in asset management has been basically collecting financial information from the city Mitchell Lama's over the last few months. We have completed our review of the shelter rent tax calculations and we have submitted the information to the Department of Finance to process.

Uhm, I believe processing has started but whether, when the property, individual property sees the benefit depends on how often they are seeing their bills being billed basically. Is it quarterly or semiannually, many of them are not going to actually see that until the early next calendar year but the benefit is retroactive to July 1st of this year and then we are also in the process of working with the state. HCR is the supervising agency for approximately half of the Mitchell Lama's in New York City. They are doing the preliminary calculation based on information they're collecting from those properties and submitting to us for review and then once we reviewed and processed, we will submit to Department of Finance as well.

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3 LUCY JOFFE: I'll just add that we reach out to
4 property owners including on the Mitchell Lama basis,
5 not just in the process of adapting to the new
6 changes but on a very regular basis to continue to
7 ensure that we have these numbers correctly and then
8 we work with Department of Finance on that.

9 CHAIRPERSON BRANNAN: But couldn't the value be
10 more than the new cap? Is that the case for any of
11 the properties?

12 KIM DARGA: It is possible. Historically some
13 Mitchell Lama's have also applied for J51 and they
14 are eligible under the program. So, it is possible
15 that some of them have both a shelter rent tax
16 benefit so their taxes is based on five percent of
17 their shelter rents and also have a J51 that reduces
18 their tax liability during the term of the J51
19 benefit.

20 Uhm, I don't have the number of properties today
21 that will have the deeper benefit due to J51 but we
22 could follow up with you if you're interested in
23 that.

24 CHAIRPERSON BRANNAN: How many - do you have an
25 idea of how many of the Mitchell Lama properties that
were granted the exemptions by the Board of estimate

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still have the fullest exemption authorized under
state law?

KIM DARGA: All of the properties now have five
percent unless they have layered benefits because
they qualify for another with J51 specifically. They
should all have five percent at this point and again
it's retroactive to July, so some of those are still
being processed by the agencies.

CHAIRPERSON BRANNAN: So, is the Administration
doing or coordinating with Mitchell Lama properties
to ensure that they're aware of the value of the
exemption granted and the difference between the
value and the new tax cap.

KIM DARGA: So, HPD sent out emails to
accountants, attorneys, managing agents, board
presidents, when the change happened in the state law
and we have for New York City supervised Mitchell
Lama's, we have received all the information we need
at this point and have submitted the new tax
calculations the Department of Finance and like I
said, we're working with the state on the state
supervised. So, we feel confident that the Mitchell
Lama properties are aware of the change and taking
advantage of it.

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CHAIRPERSON BRANNAN: And what's the current process to determine the local tax liability for Mitchell Lama co-ops and rentals?

KIM DARGA: So, it's a shelter rent tax calculation. We have to get financial information, revenue, expense information from the property in order to calculate what five percent of the shelter rents would be. It's basically rents less particular expenses.

CHAIRPERSON BRANNAN: And do you have all the resources you need to prepare accurate tax bills in a timely manner?

KIM DARGA: Uhm, we've had a team in place that has done this for Mitchell Lama's for many years, along with you know some of the other tax exemptions, our either gross rent or shelter rent tax calculations as well.

This is a you know one time change where it's going from ten to five and so, there's you know there's kind of a one time process of recalculating at five percent and setting that up but we've had the staff in place and we feel pretty confident we can manage going forward.

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CHAIRPERSON BRANNAN: Okay, I mean I guess there's a concern that the Resolutions could in fact give them an exemption that's lower than the burden below the cap.

If there are specific properties where you've heard that, we are - you have other information, I think I'd be happy to take that back to our folks at the agency and take a closer look.

CHAIRPERSON BRANNAN: Okay. Uhm, I want to stay on the uhm I want to stay on this but for most property tax payers, the Council and the public are able to see the amounts charged and collected and the data listed on Open Data and the online uh the PTS system but we understand that DOF codes shelter rent payments as a generic charge code, which also includes other types of charges beyond the shelter rent payments.

Can DOF provide greater clarity on what the various shelter rent charges are by property and the collection of those charges?

TED OBERMAN: Yeah, uhm so we are working to separate the shelter rent residential charge and the commercial charge. Previously to our new systems,

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they are identified separately and we are working to
do that and we hope to have that done soon.

CHAIRPERSON BRANNAN: Okay I don't want to take
up too much more. I want to hand it over to my
colleagues but I had another question here. The
application process for co-op and condo abatement
requires that the owner of a unit to provide their
information to the board and the managing agent. The
board and the managing agent in turn complies all
those applications into a single application for DOF.
We've heard cases where owners claim they've
submitted applications to the management company but
then they never receive the abatement. So, what
should an owner do in this case? What's the best
resource?

PIERRE DEJEAN: Well, typically the managing
agents are responsible for providing for providing
initial applications and renewal applications to the
Department of Finance, so if there is an issue
regarding an application for the benefit, an
applicant needs to or the unit owners need to speak
to the boards or to the managing agents to assure
that their information has been properly submitted to
the department.

3 CHAIRPERSON BRANNAN: But if a managing agent
4 made a mistake or they forgot to include an owners
5 application, how can the individual owner still
6 receive the benefits?

7 PIERRE DEJEAN: Well, they have to provide the
8 information to the managing agent who then update us
9 with that information so that we can properly reflect
10 it in our records, in our database.

11 CHAIRPERSON BRANNAN: So, what would it take to
12 remove the interim step of including the managing
13 agent and just allowing the co-op and condo owners to
14 apply directly to DOF?

15 PIERRE DEJEAN: That's a requirement by law right
16 now, so managing agents are required to follow on
17 behalf of the applicant.

18 CHAIRPERSON BRANNAN: Okay so - in order to get
19 rid of that middle man, we'd have to change the law?

20 PIERRE DEJEAN: Correct.

21 CHAIRPERSON BRANNAN: Okay. Okay I have one last
22 - well, I have a million but one last one for now.
23 Uhm, there was a report released today that looked at
24 DOF's estimates of income and expenses of affordable
25 housing run by community development corporations.
It found that more than one fifth are in financial

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distress, meaning they generate less revenue than
their operating costs.

DOF collects on an annual basis the income and
expenses of almost all income producing properties
with ten or more units in the city. So, how does DOF
work with the HPD to leverage this data to improve
our ability to address these ongoing housing issues?

KIM DARGA: So, this is one of the biggest I
think issues, concerns, and initiatives that we are
working on right now. We uhm, the rapid escalation
of operating costs over the last couple years has
really created some challenges for a number of owners
of revenue restricted property. So, that could be
Mitchell Lama's, it could be rent stabilized housing,
HDFC cooperatives, uhm and we've been working very
closely with some of our partners that work with -
especially a number of the nonprofit organizations,
but it doesn't - it's not just the nonprofit
organizations right now that have raised these
concerns, to identify whether there are ways that we
can help or we can assess what's happening on the
revenue side. You know they are revenue restricted
properties but we know that a number of properties
have struggled with collections. You know, could we

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look at - what other processes could we look at there to make sure that they are able to you know maximize the revenue within the affordability restrictions of the property.

We also have looked really closely at expenses.

We mentioned briefly insurance, the you know insurance, utilities, and property taxes used to be the two biggest cause. Insurance has now crept up there basically, is being a bigger cost than utility cost at properties and so, we uh have been working with various agencies and the state to think about what is happening there and if there's anything that we can do to be helpful. Uhm as we mentioned, one of the biggest tools we have is within the HPD's toolbox directly is uhm to look at the property tax liability of the property.

And so, for properties that don't have a full property tax exemption today and they are affordable properties or they're willing to commit to be affordable properties going forward, we are willing to help them through a property tax benefit and those programs are available. We're happy to have that conversation. If City Council knows of owners that are struggling, we're happy to take those referrals.

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Unfortunately, there also are a set of properties that have full property tax benefits and are also struggling. And we have actually, within the agency under Kerry's team, set up a group that is specifically working with some of the owners that are really struggling to cover their expenses, even with the full property tax benefit.

We have seen some properties that are now experiencing foreclosure with a lender and have operating costs that they really cannot cover and so, we are actively doing workouts on a number of properties and trying to develop some new solutions that could help address those issues, particularly for the HPD regulated as a managed stock.

CHAIRPERSON BRANNAN: Last question from me for now. How much of your budget and do you have the resources you need to really do proactive outreach to make sure that all of these? Because often times, I think the city needs to be more like Old Navy when they have a sale, where they won't shut up about it. And sometimes I worry that what we're doing is theirs is a big bag of money sitting on the table that says, this is for distressed homeowners or you know distressed property owners but you got to know that

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2 it's sitting there. How much - and do you have the
3 resources you need to be - do you think you could do
4 more to let folks know about all these programs that
5 do exist and are funded?

6 KIM DARGA: We absolutely could do more. I mean
7 we have really struggled with staffing and
8 preservation and that has happened at a time when
9 there's been really rapid escalation of operating
10 cost. We've made incredible progress over the last
11 two to three years in restaffing Kerry's division.
12 You know at one point in late 2021, early 2022, I
13 think we had 100 percent turn over of nearly every
14 part of the transactional teams. The vacancy rate
15 was something like two-thirds, 75 percent within the
16 transactional part of her division. Even though the
17 overall vacancy was not that high.

18 Now, I think it's closer to ten percent. It is
19 like it's much more normal. We're not quite 100
20 percent staffed but we are working through that and
21 we do have an exemption from hiring restrictions that
22 exist in other parts of the agency in order to make
23 sure we can staff. We've also been trying to use
24 other ways to move that pipeline. We do still have a
25 backlog and that's one of the biggest challenges with

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I think doing the more proactive outreach that we would love to be able to do. We still have a couple hundred properties in the backlog. We're still prioritizing based on like urgent - the most urgent needs that owners are identifying to us.

Uhm, and so, it would - we have to work through that first before we can really go much more robust on the outreach because otherwise owners will be waiting a while and that's not good for anybody.

CHAIRPERSON BRANNAN: If you have an opening at HPD and I apply, I get the job, how long until I can start? How long until you get approved?

KIM DARGA: That's a good question. I don't know that I know that off hand.

CHAIRPERSON BRANNAN: Is it like six weeks or six months?

KIM DARGA: It's longer than six weeks.

CHAIRPERSON BRANNAN: So, it's six months?

KIM DARGA: It can take a while. I mean the Office of Development is exempt - all of the financing positions are exempt from the two to one requirement.

3 CHAIRPERSON BRANNAN: Right, I get it but it's
4 not exempt if then it takes six, seven months to
5 onboard somebody.

6 KIM DARGA: We still need the budgeted headcount
7 in order to process positions and so, it does - it
8 takes a while.

9 LUCY JOFFE: I can't help but not talk about your
10 Old Navy example. Kim and I will talk to anyone and
11 everyone literally about J51, which is an as of right
12 program. So, some of these things are different and
13 we all know that as probably all of you know our
14 Commissioner also will talk to anyone and everyone
15 about these benefits and is doing everything we
16 possibly can.

17 So, on the J51 side for example, that is
18 somewhere where we've really made a push. We could
19 use more help and one of the challenges that we've
20 seen is that because of the timeline, folks - uh
21 there are a lot of folks who are interested but even
22 if they start their planning today, they won't meet
23 the timeline and there is concern that there will be
24 another lapse.

25 So, we have heard that to be an obstacle but that
is a place where the as of right benefits can be

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really helpful for the things that you're talking about. That is an area where if buildings do the work and they meet the requirements, they can get those benefits and so, we really want to make sure we're doing everything we can to make sure people know about the availability of the program and the need to renew it and could really benefit from continued partnership with the Council.

CHAIRPERSON BRANNAN: Yeah, I mean what we've seen with this Administration unfortunately is they starve. It's not just HPD, it's across the board. They starve the outreach arm of these agencies and then they point - then they're able to point to programs and say, well, it's not working. Well, it's not working because no one knows about it and no one is taking advantage of it. So that's a dilemma. Okay, I want to acknowledge we were joined by Council Members Dinowitz, Avilés and Deputy Speaker Ayala and now I'm going to turn it over to Restler followed by Brewer for questions. Thanks guys.

COUNCIL MEMBER RESTLER: You sure you don't want to ask one more? I think he said last one four or five times but to be fair, so did Chair Sanchez and it's because you guys came up with such an important

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topic and I really want to commend you for holding
this hearing today and asking such thoughtful
questions. I'm just messing with friends.

I do want to just continue from one of the areas
where Chair Brannan left off on hiring. Deputy
Commissioner Darga, approximately how many people are
reporting to at HPD? Kind of within your portfolio,
broad strokes?

KIM DARGA: Somewhere around 325 people.

COUNCIL MEMBER RESTLER: So, healthy number. How
many new hires have you added this month, last month,
last three months?

KIM DARGA: I don't have that but we've actually
- we have actually brought on a number of people over
the last couple months.

COUNCIL MEMBER RESTLER: I've heard reports from
HPD of like one or two -

KIM DARGA: It's been more the last couple months
and let me explain. There are some initiatives where
we have as part of the City of Yes discussions, we
strategically added support.

COUNCIL MEMBER RESTLER: Just for the record, the
City Council advocated for your support. We pushed -
as a -

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KIM DARGA: We're grateful.

COUNCIL MEMBER RESTLER: That was one of our demands in passing City of Yes. Just for the record, the City Council advocated for your support. We pushed as - that was one of our demands in passing City of Yes. That was not something that this Administration wanted to do.

KIM DARGA: We're very grateful for that.

COUNCIL MEMBER RESTLER: I just want to be clear on why that happened and where that advocacy came from especially thanks to the leadership of Chair Sanchez in particular. So, but that's good to hear that our advocacy is yielding some results in terms of staffing at HPD because we understand as Chair Brannan and Chair Sanchez have noted, that if you all don't have the staffing and resources then good things can happen and I'm grateful for the resources that are being spent to build new affordable housing and preserve affordable housing.

You did mention earlier that you know the large number of units that were coming online this year, you thought was a result of new tax incentives and that the right regulatory regime was you know an improved regulatory regime was in place and I just

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wondered, you know we've highlighted in my district in downtown Brooklyn, 3,700 new units of housing came online in the first six months of this year but I thought much of that was old 421A units that like got their foundations in and were just completing now and coming online. That that wasn't actually a reflection of the new regulatory dynamics. It was the old regulatory dynamics of people racing to get in before that expiration. Am I misunderstanding?

KIM DARGA: No, I think that's right. I think that we are just - we are starting to see the impact of the City of Yes zoning changes. We have actually proved the first project under the Universal Affordability program. Uhm, we also have as Tricia mentioned a few minutes ago, we have started to approve applications under 45X.

COUNCIL MEMBER RESTLER: Good, that's where I wanted to go next.

KIM DARGA: Those have to be completed projects to qualify. Uhm, but the vast majority of the completions so far are under 421A 16.

COUNCIL MEMBER RESTLER: Right, so the Assistant Commissioner I think mentioned in response to questioning there is about 150 buildings give or take

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1 have been registered under 485X. There's been a lot
2 of hand ringing and anxiety among developers in
3 districts like mine on the waterfront in Brooklyn
4 where there are questions about whether the math
5 works on 485X and they'll be able to construct - will
6 they be able to afford to build new construction in
7 those areas? In fact, we're seeing developers
8 threaten that they're going break down projects to do
9 two buildings of less than 150 units on their site to
10 get around. The weight requirements in 45X or just
11 build smaller projects all together. Can we just
12 understand a little bit more in the data that you're
13 seeing so far are we seeing new construction approved
14 in the areas with the elevated wage ranges and then
15 just broadly for you both - for Kim and Lucy both,
16 could you just speak to what you're seeing in the
17 trends. Are you concerned about this? Do you think
18 that this is a little bit of hand ringing and
19 developers are you know trying to bargain for better
20 terms but then ultimately we have a good deal in
21 place and that it should work?

23 KIM DARGA: Yeah, so I think that is a very good
24 question. It's still pretty early. I don't have the
25

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breakdown of buildings size with me today but we are
releasing the registration data uhm and so -

COUNCIL MEMBER RESTLER: When you do release that
data, will it be obvious which areas are subject to
the higher wage limits in which are in - or is that
something that you could provide to us?

KIM DARGA: I think we have been releasing it by
project size.

COUNCIL MEMBER RESTLER: Right.

KIM DARGA: And the wage requirements kick in
depending on the project size, primarily but also
there's some geographic implications.

COUNCIL MEMBER RESTLER: Geographic too right.

KIM DARGA: So, I think it's a little early to
tell. We have the initial registration data, did
indicate that there was overwhelming demand for small
multifamily housing. It's unclear whether or not
that is because the initial applications and
registrations were for projects that had already
basically started before the new program existed.
Meaning, they were in construction, they were already
moving and they saw the new program and said, I'm
going to take advantage of this right?

COUNCIL MEMBER RESTLER: Right.

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KIM DARGA: I'm willing to do the affordability. I have a building already. I like moving through the process. I think it's only now that we're going to start seeing because the City of Yes changes that were enacted late last year and uhm, we're only now going to start seeing -

COUNCIL MEMBER RESTLER: As you noted, you know you provided a lot of technical assistance and guidance to the state legislature. HPD always brings helpful data and analysis that informs you know our decision making and the state legislatures decision making. Do you think that we have a good framework in place? Do you think it needs to be revisited?

LUCY JOFFE: So, I think what I'll say is we've looked at these trends with any new program and it absolutely takes time to see owners change course, propose buildings that match the new requirements. That's the combination of the new tax incentives and City of Yes and that we see those delays, most significantly on the biggest projects. They are the clunkiest and short of like slowest to get moving in with the change.

So, we absolutely expect that the new program will require people to make different development

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decisions but we are still - uhm, we're still
confident that this is a program that people will use
that we will see trends over time. That there will
be more small buildings because that's always how
this program has been. We get a ton of homes from a
few really big ones and then just a ton of small
buildings participating and then that delay which we
see impact the bigger buildings overall. We will
need - it is too soon to say exactly how buildings
will adapt and it is a ten year program and we're in
an unusual financing environment currently.

So, I think what we would say is, we are still
confident that we are going to get a number of you
know buildings built that wouldn't otherwise have
been built, deeper affordability in parts of the city
where we wouldn't get it and then exactly how those
numbers break out and how it compares to programs of
the past. I think we are going to have to wait a
little longer to see just based on how this always
seems to happen, the timeline when we introduce new
programs and incentives.

COUNCIL MEMBER RESTLER: Are there critical
upcoming benchmarks, milestones, data points that

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you're looking for that we should collectively be
looking for?

KIM DARGA: I think we need to look at the
registration data that the next rounds of
registration data. Like I said the early -

COUNCIL MEMBER RESTLER: When is that next round
of registration data going to be released? You said
twice annually?

KIM DARGA: Uhm, yeah. I think -

COUNCIL MEMBER RESTLER: Some time later this
year?

KIM DARGA: Yeah.

COUNCIL MEMBER RESTLER: Before the end of the
year?

KIM DARGA: Yeah.

COUNCIL MEMBER RESTLER: And you can share with
us a kind of breakdown by geography and size that
gives us insight into if this is having negative
impacts in the areas where we want to see the
greatest density.

KIM DARGA: We definitely break it down by size.
We'll have to see if we've broken down by geography
and what that will take but the building location

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information is - there's some cleanup because people
use different kind of information.

COUNCIL MEMBER RESTLER: Yeah, look I -

KIM DARGA: But yes, we hear your question and we
will -

LUCY JOFFE: We plan to look at this closely so -

COUNCIL MEMBER RESTLER: I want to stay in
conversation. I just, I have to say like, in a
district like mine, we've got two dozen train
stations, it's super transit rich. It's appropriate
for density. We want to make sure that big projects
are happening. You know I'm seeing projects that are
a 15 minute walk from the G-Train, renting three
bedroom apartments for \$10,000 a month. Rents have
gone so insanely out of - have spiraled so insanely
out of control, I don't even know what to do with it
but it's just hard for me to understand how a
developer can't pay decent wages when they're making
\$10,000 a month on a three bedroom. Like it doesn't,
it does not make any sense to me at all.

So, I really do want to see this data. I'd like
to be able to push back on these arguments more
effectively but could use some help in doing so - so
that we could make this program work and maximize the

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housing supply that we all you know - help address
the housing supply issues.

Thank you Chair Sanchez for the extra time.

CHAIRPERSON SANCHEZ: Thank you Council Member
Restler. Now, I'd like to turn it to Council Member
Brewer.

COUNCIL MEMBER BREWER: Thank you very much. I
just had some - when you mentioned the 2019 law,
which I love and you talked about big issues, ugh how
do you deal with this warehousing? Because you know
the private owners, maybe they have a case, I don't
know. I can't renovate because I can't get market
rate so therefore I can't renovate so therefore I'm
going to keep it vacant. What are we going to do
about that? I don't know how many units are
involved. I hear huge numbers, I don't know. But
that's an example of big thinking and I don't know
how to address it. Maybe you thought about it.

KIM DARGA: Yeah that's a really big question.
We've uhm over the last couple years, we've heard
this concern. Uhm, I just - I'm going to turn it
over to my colleague Lucy Joffe who oversees our
research team and has I think a very good

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understanding based on the data we've seen what is
happening in terms of vacancy.

I would say that we've - we have put some
programs out to try to you know offer options for
owners that do have vacancy where there's lower
rents. For example, we launched Unlocking Doors. A
little over a year ago, we did a modification
recently to change the amount that we would offer for
renovations. Uhm, for that program and owner that's
had a vacancy for a period of time, I think it's
about two years and has lower rents, uhm, if they are
uhm - need help with renovations in order to house a
family and it would be a family coming through the
shelter system, we will offer basically to help fund
the renovations of the unit.

And we've seen very little uptake of that
program. So, it's unclear and Lucy can talk about
the data in a second, it's unclear how much there's a
real issue there or perceived issue. We're very
interested in continuing the conversations, so if
there are owners that have vacancy and they need
help, they should reach out to us and our
preservation programs but we aren't seeing uptake
around that program specifically.

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COUNCIL MEMBER BREWER: They probably don't want to shelter family. I'm just being honest and that's wrong but that's how they think because I know how they think.

KIM DARGA: That could be an issue. Maybe Lucy could talk about the data.

LUCY JOFFE: Yeah, I think partly what the issue is what we're talking about is scale, right? So, we do trust the New York City Housing and Vacancy Survey as the only representative data source on this front.

The last time we did it was 23. What we saw was, as you've heard us talk about and actually as the Chair mentioned in her testimony, not only really low vacancy rates but the lowest at the lowest rents and that makes sense because there are - there is such high demand at the lowest rent levels and actually vacancy increases at the higher rent levels.

In particular, what we see is that long term vacancy, right you need to have some vacancy. Someone has to move out. There might need to be -

COUNCIL MEMBER BREWER: It's different.

LUCY JOFFE: Yes, there's some period of time which that's healthy. So, what's really important when we're having this discussion about to what

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1 extent are owners holding units that could be rented
2 off the market is that long term vacancy question.
3 And we're really not seeing very much of it.
4

5 COUNCIL MEMBER BREWER: On the low end.

6 LUCY JOFFE: At the low end.

7 COUNCIL MEMBER BREWER: No, at the high end it
8 exists though, at the higher end.

9 LUCY JOFFE: Sure, because when you get to
10 \$3,000, \$4,000, \$5,000, there's just the demand is
11 not quite as high and so you might see some of that.
12 That is uhm, those are two very different problems to
13 discuss and diagnose and it doesn't mean that if
14 people are walking around their neighborhoods and see
15 a building or a block with concentrated amounts of
16 vacancy that we are saying that's not true. It might
17 be. This is a city of 3.6 million homes but -so when
18 we're talking, we're often talking about what are
19 sort of the interventions, that scale that we need
20 and that's why we do have some programs where we're
21 saying okay, there are going to be owners who are in
22 an outlier situation where they are having trouble
23 for whatever reason and there are more vacant long
24 term units in their building. How do we reach out to
25 them and bring them into the fold? HPD doesn't have

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- we don't have the ability to say you have to rent
this unit if it's not otherwise regulated.

COUNCIL MEMBER BREWER: But they do a carrot
stick situation.

LUCY JOFFE: And that is the approach that we're
taking. We agree with you that this is especially in
the environment that we're in, something that
requires big thinking and something that we are
really -

COUNCIL MEMBER BREWER: I agree and the public is
confused. I hear 6,000. I don't know - I have no
idea but when you hear those numbers you go, oh my
goodness.

LUCY JOFFE: Right and we're at an age where
people aren't always trusting of data that we're
providing and we also really get that. We will be
back in the field for the next New York City Housing
and Vacancy Survey next spring, starting in January,
sorry not spring. And so, we'll have new data coming
from that as well and that's also going to be a
really important benchmark for us all to continue to
monitor.

COUNCIL MEMBER BREWER: Okay, second question. I
know you mentioned there are five programs. I'll be

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quick but and that includes the vouchers or is that a separate program. In other words, trying to think if how to get every unit to be as low rental as possible. And the reason I say that is because everybody's - you know I read all the newspapers. I look at Housing Connect blah, blah, blah. It's not low, are the housing vouchers included in the five programs that you listed?

KIM DARGA: Yeah, so there may be five main forms of financial assistance maybe the way to describe this, right? Where we have our budget, capital budget.

COUNCIL MEMBER BREWER: Right, right, right, right.

KIM DARGA: That helps us provide low cost loans. We have property tax exemptions.

COUNCIL MEMBER BREWER: Correct.

KIM DARGA: Definitely the largest impact in terms of scale. We have low income housing tax credits and then we have rental assistance and that could be tenant or project based.

COUNCIL MEMBER BREWER: Right.

KIM DARGA: And it could be either you know FHEPS, it could be Section 8, it could be 15/15.

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COUNCIL MEMBER BREWER: Yup.

KIM DARGA: Uhm, and then we have the zoning incentives. So, the rental assistance is incredibly impactful for depth of affordability.

COUNCIL MEMBER BREWER: It is.

KIM DARGA: So, our senior housing, right where we know that the vast majority of older adults in New York City are extremely low income.

COUNCIL MEMBER BREWER: 13,000 is what you get with your Social Security.

KIM DARGA: Yeah, so that's where we really try to prioritize the rental assistance. You know this is one area where we are you know just watching what happens at the federal level in terms of budget and authorization very closely because there are projects or programs that we administer that are very dependent on having rental assistance to provide meaningful affordability.

COUNCIL MEMBER BREWER: The other quick issue is I'm stuck with ABC and Extell, biggest - 2.4 acres. In order to get Manhattan because everybody hates to do affordable housing in the borough of Manhattan. They just don't. You want to go to the Bronx; you want to go to Brooklyn. So, how would be an example

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- could all five programs be used in one non-zoning, non-MIH, dependent on the owner, kind of like HPD, CPC? It's a nightmare. Is that something that could subsidize?

KIM DARGA: Yeah, so we actually uhm -

COUNCIL MEMBER BREWER: This is the hell that I'm dealing with.

KIM DARGA: Yeah, one of the biggest challenges in a lot of Manhattan and some parts of the - in the rest of the city as well is that the cost of land is extremely expensive.

COUNCIL MEMBER BREWER: Very.

KIM DARGA: Right and so, we actually modified our new construction term sheets that we released this last summer where we will allow higher subsidy. We still have to be reasonable right but a higher subsidy where the higher cost is driven by acquisition in limited affordability areas. So, markets where we are not seeing the market actually provide affordable options for the typical rental households. That's where we would prioritize providing additional support.

COUNCIL MEMBER BREWER: Okay, I would hope you would do it at this location and I'm just telling

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you; it is a situation. We have the best schools and you have the expensive land but I need help and I don't usually bring up my projects but this is the biggest piece of land available in west - almost in Manhattan.

KIM DARGA: We're happy to keep talking about that.

COUNCIL MEMBER BREWER: Thank you.

KIM DARGA: Yeah.

CHAIRPERSON SANCHEZ: Thank you. Thank you so much Council Member Brewer. Okay, uhm, thank you. Okay, thank you, uhm, okay so picking back up just one more question on Article 11's. Actually, not a question on Article 11's.

Uhm, just to give us the context. How many HDFC Co-ops specifically have applied for Article 11 abatements during this Administration and HPD granted? How many of those are still in the pipeline for consideration? And I'll keep it there.

KIM DARGA: Hmm, hmm, okay, I don't so - there are a very significant number. There are about 1,200 HDFC co-ops in New York City. Most of them have a partial or full residential tax exemption through Article 11. Sometimes it's known as the Damp

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Exemption, that's common language around it but it's actually an Article 11 exemption. We have been providing assistance. We have a very robust pipeline of HGFC co-ops that are seeking assistance through Kerry's team and we actually changed the organization of the division in order to better work with property owners. What we found is that you know working with an HGFC co-op where it's a board of residents that are not like living all day long, financing affordable housing, they need additional help to understand how to successfully navigate the process.

And so, we specifically set up a team that is focused on HGFC co-ops, the Mitchell Lama co-ops and making sure that we can adequately support them. We do have a lot of co-ops in the pipeline right now. I don't have those numbers with me today as well as how many we've been serving but we can definitely follow up with that.

And just to note, we do know that there is - many of them have an exemption that is expiring in a few years and so, we are starting to think about what that means to extend that to make sure they continue to have support to provide meaningful affordability.

3 CHAIRPERSON SANCHEZ: I feel seen, that was my
4 next question. Thank you. Okay, so as of now, there
5 is no plan.

6 KIM DARGA: We are talking with UHAB, uhm there's
7 some ideas about whether or not it would kind of a
8 state program or we would work through an Article 11.
9 We don't have a specific proposal yet but we are
10 actively thinking about it and we're happy to talk
11 more.

12 CHAIRPERSON SANCHEZ: Thank you. Okay.

13 COUNCIL MEMBER BREWER: How's my 615 West 158th
14 Street? How are we doing with that one?

15 KIM DARGA: Oh boy, I'm not prepared today to
16 answer that but I will -

17 COUNCIL MEMBER BREWER: That's Louise's,
18 Valente's Building.

19 KIM DARGA: Yes.

20 COUNCIL MEMBER BREWER: I got \$8 million sitting
21 there for it. It hasn't moved.

22 KIM DARGA: Okay, I'm happy to follow up with you
23 to give you an update.

24 CHAIRPERSON SANCHEZ: Okay, thank you Council
25 Member Brewer. Switching gears to J51. Since the
Council's reauthorization earlier this year, no the

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1 baby hadn't been born yet, so it had to be last year.

2 How many buildings have applied to J51 since we
3 reauthorized with Local Law 122?
4

5 KIM DARGA: Uhm, so I can cover initially and
6 then if there's some follows ups, maybe Tricia you
7 can help fill in. I believe that we've had 95
8 applications so far to the program. There was a lot
9 initially and it's slowed down since then. The vast
10 majority are co-op and condo buildings and yeah.

11 TRICIA DIETZ: Yeah that's correct. So, in the -
12 the authorization was in December of 2024 and we were
13 able to put together the applications in January.
14 There were four months where projects that had
15 already completed work were able to submit to receive
16 the abatement and the vast majority of the 95
17 submitted within those first four months. I think as
18 previously mentioned. There is a concern for
19 projects that are trying to take advantage of this
20 new program that they need to complete the work
21 within 30 months and I mean as of now, that's less
22 than nine months away for June 30, 2026.

23 KIM DARGA: Yeah, we've heard that at this point
24 and time that it's you know, if somebody is doing a
25 really discreet smaller system, they may be able to

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1 complete the work still in time to take advantage of
2 it but there were a number of applicants that we talk
3 to you know when like late last year, early this
4 year, that could have taken advantage of J51 and
5 didn't think they had enough time to complete the
6 work and know that they would be able to qualify for
7 the benefit.
8

9 So, the reauthorization is a huge, huge, priority
10 for us. The inconsistent you know availability of
11 the program over the last decade, I think has really
12 been unfortunate at a time where we know now you know
13 owners are struggling with operating cost, being able
14 to finance renovations. Interest rates are higher,
15 right? Having a program like J51 is really, really,
16 really important.

17 LUCY JOFFE: Thank you, all those things and that
18 we didn't have it over the last couple of years, a
19 time period where I think a lot of buildings would
20 have used it to remain stable and keep up. So, we're
21 very mindful of that, including as we think about the
22 time period for the J51 reauthorization, that length
23 of time that we're seeing that impact now.

24 CHAIRPERSON SANCHEZ: So, before the
25 reauthorization, during the hearings, we heard a lot

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of concerns that the former version of the program was structured in a way that didn't really allow, it wasn't useful many owners. Curious if you've had feedback already from the 95 applicants or others regarding how we ended up structuring the program and what costs are eligible.

KIM DARGA: Yeah, I'll turn it over to Tricia.

TRICIA DIETZ: Great, thank you. One of the primary concerns that was raised was about the cost. The certified reasonable cost schedule. One of the challenges with the old version of the program was that certified reasonable cost schedule had to be updated through the rule making process and so, that took considerable amount of time to be able to provide updates and so, the costs got out dated over time. And one of the major changes to this new version of the program is the way that we update that cost schedule.

So, that cost schedule is now updated by HPD and posted on our website in a way that is a lot more dynamic and able to reflect really the current costs and market costs of work.

LUCY JOFFE: And if we have the program over a longer period of time, then we'll start to really see

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those benefits of the ability to keep pace and I think that's really important in terms of as we think about reauthorization and a longer timeframe.

CHAIRPERSON SANCHEZ: So, on the question of reauthorization, what is the status of your conversation with our partners in the state? What reforms are - what additional reforms if any are being called for and what are you hearing about the project of J51 reauthorization being considered next session?

LUCY JOFFE: So, it is a state program as you mentioned, I think we've been Old Navy-ing. We will tell anyone we can that we think J51 is one of the most important tools. I think our partners at the state level, they are quite aware that we are seeking reauthorization and looking for really that quick extension that will give people the confidence that they don't currently have that they can start a project now and know that J51 will be there on the other end and that's that change that we've had given sort of what's happened over the last couple of years. So, that's absolutely our priority and where we're focused on getting that extension and that longer term extension.

3 CHAIRPERSON SANCHEZ: Okay, let me know who to
4 call when -

5 LUCY JOFFE: We will.

6 CHAIRPERSON SANCHEZ: I know. Uhm, a quick
7 follow up on Mitchell Lama's in J51. How many
8 Mitchell Lama's are also taking advantage of J51?

9 KIM DARGA: I don't have that today but I do know
10 that some have done that historically.

11 LUCY JOFFE: And I would also say in some of our
12 combined work, that has been where some of the
13 impacts are biggest because the scopes of work in the
14 Mitchell Lama portfolio are bigger. So, they have
15 not been able to - we have seen recent or had recent
16 conversations where a Mitchell Lama would be a great
17 candidate and it's not realistic for the timeframe
18 right now.

19 CHAIRPERSON SANCHEZ: Got it, thank you. Moving
20 over to UDAP's. Can you first refresh the world on
21 what UDAP exemptions are and how you determine what
22 kinds of projects receive them?

23 KIM DARGA: Yeah, so the UDAP uh authority,
24 exemption authority is for residential properties
25 that are undergoing renovation or new construction on
formerly city owned land. So, when we convey a

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property, we can also ask for authorization to grant a tax exemption through the UDAP authority. It is because it is a maximum term of 20 years, it is not as commonly used as the other exemption authorities. We are typically regulating property uhm for more than 20 year, right 30, 40, etc.. So, 420C by comparison is up to 60 years. Article 11 is up to 40 years. And so, the other exemption authorities, if we're conveying property to be multi-family housing and affordable for a very long time, we want the exemption to be in place for a long period of time as well.

It has I think been most commonly - can be used like smaller homeownership projects that don't easily qualify for another exemption. UDAP can actually be useful but it is probably one of the least frequently used exemption authorities more recently.

CHAIRPERSON SANCHEZ: Thank you and it just popped into my head, how are 420C's signed when they are accompanying LYTEC projects?

KIM DARGA: I'm sorry, say that again?

CHAIRPERSON SANCHEZ: How are 420C's sized when they are accompanying LYTEC?

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3 KIM DARGA: Hmm, hmm, great so uhm, the 420C is
4 used for low income housing tax credit projects and
5 our tax credit projects are overwhelmingly serving
6 very low income households, right? So, in a
7 traditional ELLA project, the waited average AMI is
8 in the low 50's percent AMI range. Uhm with revenue
9 at that level, we would expect the project to require
10 a full tax exemption in order to operate
11 successfully. We also see projects, occasional
12 projects coming through our preservation programs
13 that received low income housing tax credits in the
14 past.

15 The affordability in those projects can vary a
16 little bit more, so a traditional low income housing
17 tax credit project that has very low rents, typically
18 is getting a full exemption. Uhm, we can also charge
19 - we can size the benefit. If there is more robust
20 revenue, so that there is a partial exemption that is
21 more common in projects that have let's say uhm
22 project based Section 8, where they have really
23 strong revenue and we do a calculation internally to
24 determine what the kind of the strength of the
25 revenue and cash flow is and whether a partial tax
exemption is warranted.

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CHAIRPERSON SANCHEZ: Got it, so the 420C's
aren't layered with Article 11's? It's just 420C for
the value of the full exemption?

KIM DARGA: Wait, say that again.

CHAIRPERSON SANCHEZ: I will try. So, 420C's are
not layered with Article 11's for instance, they are
valued at the -

KIM DARGA: No, it's one or the other.

CHAIRPERSON SANCHEZ: Got it, thank you.

KIM DARGA: You can layer some exemptions but not
420C with Article 11.

CHAIRPERSON SANCHEZ: Got it, thank you.

CHAIRPERSON BRANNAN: I just - I have one
clarification, so just take a walk with me here. So,
on the Mitchell Lama shelter rent. So, you said you
believe that the state law set the shelter rent tax
at five percent, right?

KIM DARGA: Yes.

CHAIRPERSON BRANNAN: Okay. So, our staff
believes that the change in law is a bit more
complicated than that and we just wanted to get some
clarification. Uhm, prior to the change, the state
law said that Mitchell Lama could receive a tax break
but still had to pay a tax at a level no lower than

1 ten percent of shelter rate. In essence, it's a
2 floor on how much a break could provide but now we
3 understand the law changed to say that the Mitchell
4 Lama's cannot be required to pay a tax greater than
5 five percent of shelter rate, which would mean the
6 tax pay for Mithell Lama could be less than five
7 percent of shelter rent. So, does this not align
8 with your assumption? Because you had mentioned that
9 everyone has to pay a tax of five percent. Could you
10 clarify your interpretation of that law?
11

12 KIM DARGA: Yeah, so I can certainly double check
13 with our legal team and housing supervision team at
14 HPD but my understanding is that it authorized us to
15 provide basically an as of right five percent shelter
16 rent tax exemption. So, I don't think we have
17 authority to go below that through the state law.

18 CHAIRPERSON BRANNAN: So, your interpretation is
19 that the five percent would be the floor?

20 KIM DARGA: That would be the floor on the
21 benefit, yes.

22 CHAIRPERSON BRANNAN: Okay.

23 KIM DARGA: Unless it's being layered with
24 another benefit authority and there are some Mitchell
25 Lama's on ground leases where there may be other

provisions that we could account for, right? It's a pilot. It's not actually a tax exemption.

CHAIRPERSON BRANNAN: Right because our - some of our staff reviewed some of the old resolutions just for fun and we found that some of them said that the tax breaks should be set at the lowest amount available under law and under the old law, that would mean a tax if ten percent of shelter rent. And also, you mentioned those Resolutions, can you share those Resolutions with us?

KIM DARGA: I can follow up with our team and I did just get a clarification. I think the law said that you can only go below five percent outside of New York City. So, the vast majority of Mitchell Lama's are in New York City but there are some outside.

CHAIRPERSON BRANNAN: Okay, I'll give it back to Chair Sanchez. Thank you.

KIM DARGA: Okay.

CHAIRPERSON SANCHEZ: Thank you Chair. Uhm, for Department of Finance, thank you for sharing what changes have been made after the Comptrollers audit that found that there were 720 abatements that were improperly granted of the Cooperative and Condo Tax

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1 Abatement program. Can you describe for us generally
2 speaking, what are the ways in which the Department
3 of Finance audits its administration of different
4 incentives? You can share examples if you want to
5 you know talk about say the solar credit or others.
6

7 TED OBERMAN: Well, for ones that we offer the
8 eligibility of, not-for-profit, ICAP, ICIP, the
9 Commercial Expansion program and Commercial
10 Revitalization program, all of those have an annual
11 or bi-annual renewal by law. So, that's one way that
12 we do it. For solar for 420C or any other programs,
13 we'll generally do sort of internal audits of the
14 programs, just going over if there are commercial
15 percentages for example in the 420C Article 11
16 programs, we'll make sure that that corresponds with
17 the certificate of eligibility. Solar is you know we
18 don't really have too many problems with solar that I
19 can think of. That's a pretty straight forward
20 program. Uhm, J51, I mean it's - the calculation for
21 the exemption J51 is very complicated. So, it's not
22 something that - we usually find out about these type
23 of things when someone contacts us a lot of the time.

24 But in uhm, that's really our main at least on
25 the commercial exemption portion. So, I know that

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there is a for homeowner tax benefits, there are
renewal requirements as well.

CHAIRPERSON SANCHEZ: What is - what is the
conversation on the HPD - areas where HPD is making
the determination of eligibility and of course DOF
administers? What is the relationship in terms of
ongoing oversight, especially for programs that have
60 years, 60 year lifespans?

TED OBERMAN: So, if there's ever a de-transfer,
then for programs like Article 11 or 420C, Mitchell
Lama, any of the shelter rent programs, we would
contact HPD to determine if the property is still
eligible. Our normal process is that becomes taxable
after there is a change, not for shelter rent but for
the other programs. So, we just want to verify that
there wasn't a deed recording with just sort of a
name only transfer. Uhm, uh for 421A, of course -

CHAIRPERSON SANCHEZ: Sorry, just a quick follow
up. So, you're monitoring every deed transfer?

TED OBERMAN: Yeah it's an automatic process
within our uhm the property tax system. If there's
ever a de-transfer for a specific types of
exemptions, then it automatically triggers
restoration to the tax rule. I mean for 421A, of

1 course there was uhm, there was an issue maybe ten
2 years ago in terms of uhm with the old, old program
3 where it required two different certificates of
4 eligibility and we worked very closely with HPD to
5 ensure that all the properties that were receiving
6 benefits had met the criteria. A number of them were
7 suspended but the vast majority have come back into
8 the program have come into compliance.
9

10 Uhm, I mean we work very closely in terms for
11 shelter rent projects, in addition to the charges
12 that are transmitted from HPD to DOF, which we
13 implement. So, shelter run projects are fully exempt
14 and then there is a pilot charge, which is what shows
15 up on the bill.

16 We also compare the pilot charge against the full
17 tax equivalent, whichever is lower is what we use
18 according to law. And then for the shelter run
19 projects, which have the commercial portion, we
20 verify that through square footages with our
21 assessment group and then we bill that portion as if
22 it were taxable, and that would be the separate
23 charge that Chair Brannan was talking about before.
24
25

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3 CHAIRPERSON SANCHEZ: Thank you. Do you want to
4 add about your HPD's oversight? We talked a lot
5 about Article 11's but for other programs?

6 KIM DARGA: I mean I think the only thing I would
7 add, so I mentioned that there are some properties
8 that have the shelter rent or gross rent calculation,
9 right? So, that is an ongoing evaluation. A lot of
10 the other programs were issuing a certificate of
11 eligibility that is then delivered to DOF and DOF
12 processes as described. There are some where we have
13 to do an annual calculation and then we send that
14 calculation to Department of Finance.

15 CHAIRPERSON SANCHEZ: Okay, okay, so my last
16 question is just bringing us to the present moment
17 with the federal government shutdown. Can you share
18 at HPD what is the impact of the federal government
19 shutdown on HPD's ability to continue financing deals
20 and creating and preserving affordable housing?

21 KIM DARGA: So, I can cover broadly and Lucy,
22 feel free to jump in if I miss anything. You know
23 HPD's budget is I think you are aware, we rely
24 heavily on federal funding. About two-thirds of our
25 budget is from federal sources. A couple of the main
programs that impact our funding are Section 8. The

3 Community Development Block Grant program and then
4 the home program. Uhm, so we are certainly watching
5 what happens in terms of authorization of those
6 programs to see you know whether we'd be able to
7 sustain operations and continue the program support
8 that we've been able to provide.

9 CHAIRPERSON SANCHEZ: Does HPD - does the city -
10 does HPD receive this funding on a like what cadence?
11 Are we - are we okay right now? Have we been you
12 know are we good for the year on the federal portion
13 of HPD's budget?

14 LUCY JOFFE: So, it depends on the funding
15 source. The thing that we are - you know we have had
16 over the last few years, the occasion on many
17 opportunities to have to prepare for the possibility
18 of a shutdown, so we do know what it takes to prepare
19 for this and our priority is to avoid interruptions
20 to our programming particularly on the Section 8
21 front. Obviously we're you know it is unclear how
22 long this will go on and it is in an environment of
23 significant concerns as were alluding to with just
24 costs generally when even the shutdown ends.

25 So, I would say we are both managing the
situation and working to ensure and protect against

any interruptions but it is a moment that we are in that impacts some of our thinking, our planning and want to be very cautious and conservative to avoid any issues with our budget moving forward. Those interruptions can have major impacts for New Yorkers, for our ability to keep building housing, you know all of our operations.

So, in that moment you will see and hear from us a significant amount of concern about big, new financial decisions in this kind of an environment but we are following all of our steps to try to mitigate any near term concerns.

CHAIRPERSON SANCHEZ: Excellent, well thank you very much for your participation and preparation and everything else for this hearing. I think this was a very productive discussion. I look forward to ongoing conversations. Thank you.

Thank you so much. I want to just prepare IBO, you're up next, so we're going to hear from Sarah Parker at IBO, the Independent Budget Office and then we'll open up for public comments.

CHAIRPERSON BRANNAN: Good afternoon.

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3 CHAIRPERSON SANCHEZ: Good afternoon. So, Sarah
4 we just have to administer the oath and then you can
5 read your testimony.

6 COMMITTEE COUNSEL: Good afternoon. Do you
7 affirm to tell the truth, the whole truth, and
8 nothing but the truth before these Committees and to
9 respond honestly to Council Member questions?

10 SARAH PARKER: I do.

11 COMMITTEE COUNSEL: You may begin.

12 SARAH PARKER: On behalf of the Independent
13 Budget Office, thank you for the opportunity to
14 testify today on New York City's housing tax
15 incentives.

16 I am Sarah Parker, Senior Research and Strategy
17 Officer. As you are very familiar with, the
18 Independent Budget Office is a nonpartisan,
19 independent New York City agency created to enhance
20 public understanding of New York City's budget,
21 public policy, and economy through independent
22 analysis.

23 Housing tax incentives: a form of spending
24 through the tax code to encourage specific behaviors,
25 are a central tool the city uses to financially
support new housing production, preservation, and

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affordability. Examples include Exemptions,
deductions; special credits; preferential tax rates;
abatements; and deferrals of tax liability.
Together, these are referred to as tax expenditures.

Although tax expenditures do not appear as
planned spending in the city's budget, they represent
an intentional foregoing of revenue, making them a
form of government spending. Because of this, the
use of tax code-based tools merit the same level of
scrutiny as direct spending in terms of what each
dollar yields in terms of housing outcomes, and I'm
very glad that we've already touched upon that today.

IBO conducts studies on the efficacy and
efficiency of tax break programs under Local Law 18,
that was passed in 2017. We most recently conducted
a study on the impact of the Industrial and
Commercial Abatement Program, ICAP.

In my testimony today, I will provide an overview
of IBO's recent work on the important topic of
housing tax incentives. I'd also like to note that
the written testimony contains links to IBO's reports
on many of the topics I will be touching upon today.

First I'd like to cover some different types of
housing tax incentives. The first area is to

highlight As-Of-Right compared with Discretionary tax incentives. Many property tax breaks are structured to be "as-of-right" programs. Any development that applies and meets the program's criteria on location, project type, and the amount of set-aside affordable housing, if that's required, is entitled to receive the tax break.

There is no limit to the number of developments that can participate or how much the city forgoes in tax revenue. There is also no requirement to prove you need this tax break in order to make your project pencil out. As of right, tax breaks do add a level of unpredictability and volatility to the size of the tax expenditure in any given year.

These contrast with discretionary tax breaks, where developments obtain approval from an agency or board that reviews the details of the proposed project. Often discretionary tax breaks are evaluated and granted as part of broader economic development priorities.

A central way the City grants discretionary property tax breaks is through the negotiation of payments in lieu of taxes or PILOT arrangements.

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Another discretionary option that is often granted by the city is the waiver of Mortgage Recording Taxes. An example, the city granted such a waiver for the housing development planned at Willets Point.

Next, I'd like to draw a distinction between exemptions and abatement. Often times these terms are used interchangeably but they actually have an important influence on how the tax system works as a whole. The two main ways to reduce property taxes is through granting an abatement or an exemption. Property tax exemptions reduce the taxable value of the property that then the tax rate is applied, this lowers the tax liability and is similar to a deduction on income taxes.

Abatements leave unchanged the taxable assessed values but then lower the tax bill, like a tax credit on income taxes. Although a full property tax exemption and a full property tax abatement both result in a \$0 tax liability for the benefiting property, the difference in how the discount is structured has ramifications for other property tax bills citywide.

This is because State law assigns each of the four tax classes, which are based on types of properties, to represent a set percent of the total amount of tax liability for the fiscal year.

I would also like to cover incentives that apply to developments compared with incentives that apply to individual households. Among housing tax incentives, some breaks benefit housing developments, while others are specific to individual units. Housing Development tax incentives include 485X, J51, 420C, and the Division of Alternative Management programs, to name a few. Development-level tax benefits reduce the cost of operating for a building and are often granted to help finance income-restricted affordable units in the property.

Many of the city's housing programs, including inclusionary housing, are predicated on the assumption that the property will have discounted or no tax liability for a period of time that generally matches the length of the regulatory agreement. Many of the city's housing programs to finance affordable housing are built around existing tax abatement and exemption programs.

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3 Tax incentive benefits at the individual level
4 include the Co-op and Condo Partial Tax Abatement,
5 the Senior Citizen and Disabled Homeowner Exemptions
6 SCRIE and DRIE, and Veteran and Clergy exemptions, as
7 examples. And these provide tax breaks tied to a
8 specific apartment or house for people in specific
9 demographics. And what's interesting about these is
10 that some of these programs for individuals require
11 the beneficiary of household to income-test while
12 others do not.

13 I'm coming from a budget office, so I'm going to
14 talk a little bit about the size of foregone revenue.
15 In Fiscal Year 2025, the city collected \$34.6 billion
16 in Real Property Taxes. That year, the city provided
17 \$8.1 billion in property tax discounts, and this is
18 according to the Department of Finance's Annual
19 Report on Tax Expenditures.

20 While some of these property tax breaks benefit
21 commercial and industrial properties, \$4 billion in
22 forgone tax revenue is tied to just four specific
23 housing tax break programs created under State law.
24 And I want to briefly discuss those four programs,
25 all of which are as of right programs. As we've
already mentioned in this hearing, we have the 421A,

485X program and this is the largest of the city's tax expenditures and totals nearly \$2 billion in forgone revenue in 2025. The program provides a full property tax exemptions for newly constructed residential housing for up to 40 years.

In 2025, the program provided exemptions to 40,803 residential properties totaling 215,000 and change units. It has evolved over time to include requirements that a share of units be income restricted affordable housing. The current program outcome depends on a choice from a menu of options - which choices are made from a menu of options made by developers.

According to application data for the new 485X program from June 2024 through April of 2025, no developer had yet selected into the 485X option with the most rental units and the deepest affordability requirements, that's Option A.

The next largest tax expenditure related to housing is in fact an exemption for the New York City Housing Authority. Under state law it is fully exempt from direct taxation and this is in perpetuity. This city can ask for a nominal PILOT, which it did prior to fiscal year 2014.

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NYCHA's property tax exemption lowers its operating costs and IBO has documented and reported quite extensively on NYCHA's budget challenges and also the new pressures it faces from the Trump Administration.

For Class 2 Condo and Co-op Partial Tax Abatement, this provides a partial property tax break for owners, totaling \$695 million in reduced property taxes in 2025. This break, unlike some of the other ones that I've mentioned, is specifically intended to reduce the disparity and taxation between Class 1 homeowners of one and three unit houses compared with Class 2 homeowners of co-op and condo units. So, this tax incentive is specific to address a disparity within our tax code, rather than an incentive to build or preserve housing more generally. The abatement is not tied to any affordability requirements or income restrictions and does not have a time limit.

And then lastly, the 420C low income housing program, provides a property tax exemption for low income affordable housing units financed through federal low income housing tax credits. The property must be owned by a charitable or social welfare

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organization to qualify and it operates under a Department of Housing Preservation and Development regulatory agreement. The exemption typically ends upon the expiration or termination of this agreement. And in 2025, 420C provided \$479 million in tax breaks for 2,555 properties totaling almost 97,000 units.

If there is one central takeaway from this overview of housing tax incentives in New York City, they make a complex constellation of programs that apply both to developments and individuals, construction and preservation, renters, owners, market rate apartments and income-restricted housing. Many of these programs were initially crafted decades ago and have evolved over time to meet changing housing conditions and markets.

IBO monitors tax expenditure programs on an ongoing basis, focusing on the local impacts of new housing production, preservation, and affordability through a lens of fiscal responsibility.

Thank you for the opportunity to testify today and I would be happy to answer questions.

CHAIRPERSON SANCHEZ: Thank you. Thank you so much. I've got a few questions. First, you emphasize that there's no limit on the number of

developments that can participate in the as of right programs. Do you have a sense of how OMB budgets for an uptake in as of right programs, as of right tax incentive programs?

SARAH PARKER: I am not directly involved in their thinking but generally one looks at how much participation there were in prior years and then uses the tools typical for forecasting of any piece of a budget to figure out, is there going to be a sudden rush to use this program. Especially if something is about to expire, there generally is an uptick in applications. We saw that as previous versions of 421A were expiring. A large rush to get your application in, get your foundation started to qualify and so you look at past trends and then try and figure out how that would translate to the future.

CHAIRPERSON SANCHEZ: Thank you. Yeah, that makes sense, thank you. With respect to 485X, HPD testified earlier that the goals of the 485 that HPD was very involved in the shaping of 485X and that they were confident that the goals of the - the affordability goals of the program would be met but you just testified that no developers have selected

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Option A, which requires the most rental units and the deepest affordability.

Can you share if you have this analysis? What option is being selected by developers and what affordability levels we are - we should expect to see?

SARAH PARKER: I don't have that prepared today but I'd be happy to follow up with you.

CHAIRPERSON SANCHEZ: Thank you and then with respect to the co-op and condo abatement, you highlighted that these programs are not income limited. Do you have a breakdown or an understanding of what percentage of co-op and condo abatements are going to housing types or co-op and condo types that are subsidized through different programs versus market rate? So, how many are going to Mitchell Lama's, HDFC's and this kind of housing versus not?

SARAH PARKER: That is a great question and you should request IBO to do a study on exactly that topic.

CHAIRPERSON SANCHEZ: I have several, several requests that you've inspired me to make, so that is forthcoming. Alright, well thank you. That's really helpful testimony.

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CHAIRPERSON BRANNAN: Thank you for your
testimony. Has IBO conducted or planned any uhm
fiscal impact assessment for the city's revenues as a
result of the new shelter rent tax?

SARAH PARKER: We have not yet but again, that's
a great question to ask IBO to do. This is where we
get ideas for research.

CHAIRPERSON BRANNAN: Uhm, and could you talk a
bit about if you can, the anticipated housing
affordability impacts from the states imposition of a
cap on Mitchell Lama tax ability?

SARAH PARKER: One of the things that when we
think about Mitchell Lama's is both the - and
affordable housing in general, is how do you keep
prices lower? How do you keep the building to have
enough cash flow to maintain operations, to maintain
the physical building? And one of the central ways
that New York City has decided to help buildings with
lower income and income restrictions, maintain and
operate is to reduce property taxes. So that shift
from ten percent to five percent by definition will
lower the property tax liability for these buildings
and presumably then they have more money to put into
either keeping maintenance low or help maintenance

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costs for the - if it's a co-op or help keep rental costs more affordable and one of the - the interesting things about Mitchell Lama is that well it was originally situated very much as a middle class housing program, over the decades of the programs existence, the incomes of residents have not kept up as middle class. And so, those are buildings that are particularly the structure the program was built around, assumed a level of income for these households that is not kept up. And that's something that makes it particularly of interest.

CHAIRPERSON BRANNAN: Uhm, I appreciate the testimony around these tax breaks that are intended to reduce disparity and taxation but it leads me back to my favorite subject of property tax reform. If we were to reform our property tax system and fix the disparity between new condo and rentals, wouldn't we be able to feasibly redesign 485X to be more efficient?

SARAH PARKER: That is a very central question to all of the various tax abatements and exemptions that the city grants. Many of them are to correct for issues that the city has created elsewhere, whether it's in how its property taxes are structured or the

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3 ways that code and land use regulations add to the
4 cost of development. There's lots of ways the city
5 has in some places created rules that then we create
6 a tax break to try and correct for or counteract and
7 I think the more we can think about all of this in a
8 holistic manner and at a citywide level, the better
9 off it is for both the city in terms of its residents
10 and for its financial situation.

11 CHAIRPERSON BRANNAN: And I assume IBO would
12 agree with us that our broken property tax system is
13 greatly impacting our ability to create and maintain
14 affordable housing.

15 SARAH PARKER: We're very much looking to what
16 the court decides on property taxes.

17 CHAIRPERSON BRANNAN: Uhm, hmm. Okay, I think
18 I'm good. Thank you very much as always, thank you.

19 SARAH PARKER: Thank you.

20 CHAIRPERSON SANCHEZ: Thank you. Okay, we will
21 now open the hearing for public testimony. I remind
22 members of the public that this is a formal
23 government proceeding and that decorum shall be
24 observed at all times. As such, members of the
25 public shall remain silent at all times. The witness
table is reserved for people who wish to testify. No

video recording or photography is allowed from the witness table. Further, members of the public may not present audio or video recordings as testimony but may submit transcripts of such recordings to the Sergeant at Arms for inclusion in the hearing record.

If you wish to speak at today's hearing, please fill out an appearance card with the Sergeant at Arms and wait to be recognized. When recognized, you will have two minutes to speak on today's hearing topic of housing tax incentives.

If you have a written statement or additional written testimony you wish to submit for the record, please provide a copy of that testimony to the Sergeant at Arms. You may also email written testimony to testimony@council.nyc.gov within 72 hours of this hearing. Audio and video recordings will not be accepted.

The first panel is Tabitha Ward, Christopher Leon Johnson.

TABITHA WARD: My name is Tabitha Ward and I live at 2612 Broadway in New York City. The zip code, 10025 and I wanted to bring to your attention the New York City Housing Preservation and Development Rehabilitation Loan and property tax exemption

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1 application that Lantern Community Services and ARET
2 Management LLC is applying for. This is for an aging
3 in place residential remodeling that they said that
4 they're going to do but I want to bring to you
5 attention that the information that they placed on
6 this loan, this rehabilitation loan and property tax
7 application is untrue. The kitchen package that they
8 have said, it includes an in unit language. This is
9 not true. We do not have an in unit kitchen. Also,
10 the bathroom package also includes in unit language.
11 We do not have in unit bathrooms. We have communal
12 bathrooms. So, I ask that the uhm Council ensure
13 that the information is a little bit more correct, a
14 little bit more accurate. I have emailed the
15 information that I have here to include other
16 documentation. I emailed it to the Housing and
17 Building Committee members; each member and I ask
18 that you ensure that the information is correct.
19 This reeks of a money grab. It seems like they're
20 just trying to gather a lit money to kind of survive
21 the unfortunate federal shutdown. So, I ask that you
22 look into that and make sure that they are not
23 putting in language that does not - that is not true
24 and that is not accurate and then they're unable to
25

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1 make those repairs or those remodeling or the
2 rebuilding - whatever it is that they're saying that
3 they're going to do. They will not be able to those
4 things because we do not have in unit kitchens,
5 neither do we have in unit bathrooms. Thank you.

6 CHAIRPERSON SANCHEZ: Thank you.

7 CHRISTOPHER LEON JOHNSON: Yeah hello, hello
8 Chair Brannan and Pierina Sanchez. My name is
9 Christopher Johnson. I'm here to ask the City
10 Council to really start looking into all these
11 developers that exploit the 421A program while
12 charging, over charging tenants. What they should be
13 doing. Uhm, I know that the Comptroller was here
14 earlier but they need to really go harder to where
15 the City Council need to go harder to where that if
16 any developer or any property management company that
17 takes any tax credits including the 421A program
18 while breaking the law when it comes to overcharging
19 tenants, especially rent stabilized tenants or
20 tenants that's making less than 30 percent AMI
21 because the affordable housing laws, they are able to
22 get revoked that status and be able to pay back every
23 dollar that they could have saved with 421A. And I'm
24 calling on this Council Member Justin Brannan who
25

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will be our next OMB Commissioner, OMB Chair, and Administration to really put these people in check. Because as OMB Chair and next year in the Administration, you have the authority to really do a lot of things to really put these developers in check when it comes to sending recommendations to the Mayor's Office and City Council that any developer, any property management company that exploits these tax break programs should have their statuses revoked and be able to pay back all the money that they should have owed to the city plus damages to the city and plus any fees that the tenants were paying to them.

Uhm, so I'll make this clear that look, I support the Resolutions when it comes to Mitchell Lama. I know the high voter turnout in the Mitchell Lama development, so I see what man is trying to do with this stuff but it's all about protections and make sure that what they do with NYCHA when it comes to demolition, they need to make sure that all Mitchell Lama developments does not be demolished and keep them public. So, thank you so much and enjoy your day.

CHAIRPERSON SANCHEZ: Thank you.

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CHRISTOPHER LEON JOHNSON: Thank you.

CHAIRPERSON SANCHEZ: Congratulations. We will now turn to remote testimony. Once your name is called, a member of our staff will unmute you and the Sergeant at Arms will give you the go ahead to begin. Please wait for the Sergeant to announce that you may begin before delivering your testimony. First up, Emily Goldstein followed by Richard Sica and Robert Altman.

SERGEANT AT ARMS: You may begin.

EMILY GOLDSTEIN: Great, thank you so much for the opportunity to testify today. Good afternoon and I apologize; I wasn't able to make it in person.

My name is Emily Goldstein and I'm the Director of Organizing and Advocacy at ANHD. First and foremost, I want to emphasize the importance of preserving New York City's existing affordable housing stock. New construction often pulls more attention but preservation is absolutely essential and must be a priority for affordable housing resources.

As ANHD highlighted in our report we released today, our affordable housing stock is at serious risk. Our analysis found that at least 22 percent of

the city's subsidized stock is already in financial distress and the true numbers are likely much higher. Article 11 remains one of the city's most powerful tools for preserving affordable housing, especially for nonprofit developers. We suggest two improvements. One, help distressed buildings combining Article 11 with other HPD financing programs to move through the pipeline more quickly and get the resources they need.

Two, lower the income restrictions in Article 11 buildings. We support income averaging models but we believe that the current framework allowing up to one-third of units to be at 165 percent of AMI needs to be revisited.

I also want to highlight 420C as another effective tool for sustaining deeply affordable housing, particularly for nonprofit developers. Proposals to broaden eligibility of this program, risk diverting its benefits to for profit entities that do not deliver the same lasting community value. We encourage the Council to support maintaining the program as specific to nonprofit stewardship. I don't want to take up too much time. Additional information will be included in our written testimony

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3 including support for J51 renewal as a preservation
4 tool for the broader unsubsidized rent stabilized
5 stock, which is obviously also a critical component
6 of New York City's affordable housing landscape.

7 I'm happy to answer any questions you may have.

8 CHAIRPERSON SANCHEZ: Thank you so much Emily.

9 Next up we have Richard Sica.

10 SERGEANT AT ARMS: You may begin.

11 RICHARD SICA: Good afternoon. Good afternoon
12 Chair Sanchez and Chairman Brannan. My name is
13 Richard Sica and I am Vice President of Galaxy
14 General Contracting Corp.

15 For the past 40 years, our Bronx based company
16 has been active in constructing and developing
17 affordable housing in New York City. My testimony
18 today will focus on the need to extend the current
19 421A benefits for buildings that are set to expire
20 within the next five to seven years.

21 Once benefits expire, the buildings will pay full
22 property taxes. However, if full property taxes are
23 paid, these buildings will have deficits as their
24 rental income will be insufficient to cover this
25 increased expense along with steadily higher
operating costs. Furthermore, it is unlikely that

owners would be able to refinance their mortgages
with property taxes that increase dramatically.

Moreover, once 421A benefits expire, tenants lose
their rent stabilization status as their apartments
become market rent based. Illustrate the effects of
the expiration of 421A benefits.

I would like to use 324 Pleasant Avenue, a 39-
unit apartment building our company owns in
Manhattan. The building was constructed in 2013 with
a 421A tax abatement. In 2022, with the abatement
still in place, the real estate taxes were \$3,115 and
the buildings gross income was \$911,000. In 2025,
the tax with the tax benefits unwinding, taxes
increased to \$191,000 with a buildings gross income
at \$970,000.

When the tax abatement expires in 2027, real
estate taxes will be \$350,000 -

SERGEANT AT ARMS: Thank you. However, your time
is expired.

CHAIRPERSON SANCHEZ: You may conclude. Thank
you.

RICHARD SICA: Thank you. Can I continue?

CHAIRPERSON SANCHEZ: Yes, please.

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RICHARD SICA: Thank you. Thank you. Due to the current phasing out tax benefits, the building is currently operating at a loss. The buildings current average rent is \$2,113.00. When the 421A benefits expire in 2027, the apartments will become deregulated and market rents can be charged. The average rent would have to increase \$750 to \$1,000 a month to account for the increase in real estate taxes.

This will certainly cause tenant displacement plus the loss of 39 rent stabilized apartments. Multiplying this by the thousands of apartments losing their rent stabilized status in the future will certainly exacerbate the city's current rental affordability crisis.

I think it would be better public policy for the abatement to be extended for 35 years in exchange for owners executing a regulatory agreement that would maintain the apartments current affordability and rent stabilization status.

I believe this would benefit owners and tenants alike and welcome the opportunity to meet with you to discuss this matter in greater detail. Thank you.

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3 CHAIRPERSON SANCHEZ: Thank you so much Richard.
4 That's a very helpful example that you shared. Next,
5 I'd like to call Robert Altman.

6 SERGEANT AT ARMS: You may begin.

7 ROBERT ALTMAN: Hi, good morning or good
8 afternoon. I am Robert Altman; I am the legislative
9 consultant to the Queens and Bronx Building
10 Association. Richard Sica is actually one of our
11 members and we support his testimony and the intro
12 part of our testimony is actually dedicated to what
13 he says and we've summarized in the bullet points
14 what we would like to see done.

15 Also, we wanted to bring up something which is
16 becoming an issue on 485X. We've had multiple
17 builders look at the numbers on 485X and even
18 yesterday, I attended a conference in the Long Island
19 City partnership summit and a number of - Aldolfo
20 Deputy Mayor Carrion was there. A number of them
21 were addressing him and saying that 485X above 99
22 units doesn't financially work. They go, they run
23 the numbers and immediately even if they can do over
24 150 units through the zoning or anything done by the
25 City of Yes, they immediately realize they will not
make any profit. They could potentially lose money

1 and they dropped down the building size to 99 units
2 and all of a sudden the building becomes profitable.
3 The wage rates are well intentioned but if you can't
4 make money, you're not going to build and you're
5 going to figure out how you can make money and build
6 and 99 units becomes the threshold.
7

8 And in areas which have higher wage rate
9 requirements, that figure - the figure of the amount
10 of units needed to be able to make it profitable is
11 even higher. We're generally finding and I asked
12 yesterday at the Long Island City summit because
13 within our organization, we're finding that the magic
14 number is not 100 units but 150 units that it should
15 be at. And every single one of those developers gave
16 me the same 150 unit number and they don't - they're
17 not part of our association. So, everybody is
18 reaching the same conclusion on 485X and what the
19 threshold should be.

20 And the city doesn't want to lose if somebody can
21 build 150 units or 149 units and not lose 50 units,
22 it should not want to lose those 50 units. So, it's
23 something that I think the Council should seriously
24 consider, the state should seriously consider and
25

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look to revamp 485X so that it in fact is more in
line with financial reality.

CHAIRPERSON SANCHEZ: Thank you. Thank you
Robert. Next, I'd like to call Es Gilbert.

SERGEANT AT ARMS: You may begin.

CHAIRPERSON SANCHEZ: Alex Stein.

SERGEANT AT ARMS: You may begin.

CHAIRPERSON SANCHEZ: Okay, if we have
inadvertently missed anyone that has registered to
testify today and has yet to be called, please use
the Zoom raise hand function if you are testifying
remotely and you will be called in the order that
your hand has been raised.

If you are testifying in person, please come to
the dais and speak to the Sergeants.

Seeing none, I will now close the hearing. Thank
you to the members of the Administration and the
members of the public and Chair Brannan for joining,
well for joining, Co-Chairing today. This hearing is
adjourned. [GAVEL]

C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date November 3, 2025