Savings Options

Ban Property Owners from Charging Broker Fees to Renters

Savings: $22 million per year

New York City is one of the only cities in the United States where it is common practice for a prospective tenant to pay for the services of the property owner's real estate broker. While no-fee apartments do exist, many renters are required to pay for the property owner's broker as part of leasing. The cost of the broker fee—which can be upwards of 15 percent of the yearly gross rent—must be paid on top of other upfront costs, usually the first month's rent and a security deposit. In Manhattan, where the average market-rate apartment rent now tops $5,000, that can mean $10,000 to $20,000 in upfront costs to move into a new apartment.

For both the One Shot Deal and the CityFHEPS rental housing programs, the city pays broker fees on behalf of clients. The One Shot Deal program provides grants and loans to families facing housing instability while the CityFHEPS program provides rental assistance to households facing homelessness. The city also employs housing navigators to assist clients in finding apartments and navigating the rental process. With renter-paid broker fees the norm, were the city to cease to pay for broker fees, One Shot Deal or CityFHEPS clients would have to pay broker fees some other way or be limited to no-fee apartments. This would likely result in fewer housing placements. Due to discrimination based on a prospective tenants' source of income by some landlords and a tight rental market for lower-priced apartments, clients of city housing programs already struggle to find apartments, even with the city currently paying full broker fees.

Under this option, which would require state approval, the city would ban property owners from charging renters for the cost of their real estate brokers. This change, which would impact all renters seeking a new apartment, would save the city $22 million per year for the broker fees it pays the One Shot Deal and CityFHEPS programs based on the yearly average the city paid since 2020, while not impacting the competitiveness of renters participating in these programs.

Proponents might argue that broker fees contribute to the unaffordability of New York City's notoriously expensive housing market by adding a large upfront cost to renting an apartment, reducing the wealth of renters, and making it more expensive to switch apartments. Furthermore, the cost of broker fees is likely inflated because, while the property owner hires the broker, they do not pay the fee. Were property owners forced to pay their own brokers, they would have an incentive to negotiate broker fees down, list apartments themselves, or hire a dedicated leasing agent. Property owners could still try to pass the costs of broker fees on to tenants through higher rents, but they would be competing with other property owners who may have negotiated more effectively or found another way to list apartments without hiring a broker. In the case of the One Shot Deals and CityFHEPS programs, the city is already paying housing navigators to serve prospective renters, so prospective renters would lose little, if any, of the benefits from working with the property owner's broker.

Opponents might argue that property owners would likely still pass the entire cost of the broker fee onto tenants in the form of higher rents, which over time may be a larger dollar cost to the renter than if paid as an upfront broker fee. They may also argue that real estate brokers depend on renter-paid broker fees for their incomes and—were the city to ban this practice–fewer real estate brokers would be employed. Finally, they might argue that policymakers should instead seek to increase housing supply to reduce the leverage property owners have in lease transactions.

Prepared by Alec Goodwin

Savings Options

Create a Police Liability Fund to Offset Misconduct Claim Payouts

Savings: $45 million annually

Total tort settlements and judgements involving the New York City Police Department (NYPD) cost the city an average of $241 million per year, including claims settled pre-litigation. Among litigated misconduct cases against individual police officers, officers named in two or more cases accounted for about 60 percent of payout costs, despite representing only one third of officers with litigated cases.

A police liability fund, financed by police officer paycheck reductions, would offset city spending on misconduct. For this budget option, an officer's potential paycheck reduction amount would be determined by the total complaints filed against them. Complaints are the metric—rather than substantiated complaints or lawsuits—under this option for two reasons. First, misconduct investigations and lawsuits are often protracted; paycheck reductions tied to those metrics would begin after a substantial amount of time elapsed, decreasing their effectiveness as a misconduct-reduction tool. Second, while one-off complaints may occur over the course of an officer's career, multiple complaints are atypical and may indicate a pattern of misconduct. Complaint data support this: Civilian Complaint Review Board (CCRB) data indicate 73 percent of active NYPD officers have a record of zero to two CCRB complaints. The remaining officers received between 3 and 43 complaints—22 percent of all active officers have three to eight complaints. To file a complaint with the CCRB, individuals must complete a form detailing the allegations and appear for an in-person interview with a CCRB investigator.

Under this option, officers with three or more complaints filed against them would pay into the police liability fund at escalating levels based on the number of complaints, starting at $150 per paycheck for three complaints and increasing by $60 for each additional complaint. Officers with zero, one, or two complaints would not pay into the fund. Such a fee structure would offset misconduct payments by approximately $45 million per fiscal year. Procedures could also be put into place to remove a complaint from an officer's record under certain conditions. Funds collected would only be used to offset NYPD tort claims and settlements. The implementation of this option would have to be negotiated as part of a collective bargaining agreement between the city and the police labor unions.

Proponents might argue that an officer-funded liability pool would increase accountability in a system with few financial or disciplinary repercussions for officers accused of misconduct. This system is therefore likely to both reduce city spending on misconduct payouts and to over time reduce misconduct itself, leading potentially to even larger savings. They would argue that this option does not penalize officers who do not receive complaints, which should be the standard. The opportunity to incentivize positive behavior through fee reductions could also create buy-in among officers for improved training and policy revisions to further reduce inappropriate behavior. Even if misconduct rates remain the same, the city's savings would be substantial.

Opponents might argue that an officer-funded liability pool could discourage compliance with other policies intended to reduce police misconduct, such as body-worn cameras, or even reduce officer willingness to engage with the public for fear of incurring complaints. Depending on the policy's structure, misconduct reductions could unfairly target officers in "high-touch" positions, who are more likely to receive complaints even if unsubstantiated. Because this is a novel approach to reducing police misconduct, there is no evidence from other jurisdictions that it would change police behavior, and it would unfairly increase the financial burden of an inherently high-risk profession.

NEW February 2023, updated March 2023

Prepared by Arden Armbruster

Savings Options

End the Requirement To Give Rental Assistance To Charter Schools

Savings: $75 million annually

In 2014, New York State passed a law that for any new or expanding charter schools in New York City, the city must either provide classroom space in existing Department of Education public school buildings or reimburse schools for rental costs in private spaces for those schools that request such space. Currently, New York City is reimbursed annually for 60 percent of charter rental expenses under state law. These payments are known as charter rental assistance payments, lease aid, or facilities aid. This option requires a change in New York State education law to generate savings.

Charter schools authorized and operating after April 1, 2014, or charter schools that began operating prior to April 1, 2014, but that have since expanded, are eligible for rental assistance. During the 2020-2021 school year there were 158 charter schools that received such assistance. The amount of rental assistance for a charter school is calculated as the lesser of 30 percent of the state's per-pupil charter school payment for New York City multiplied by the number of students enrolled, or total rental costs. After accounting for state reimbursement, IBO estimates that the city will spend $75 million in charter rental payments in fiscal year 2023. This option would eliminate these payments.

Over the next year, IBO currently expects three new charter schools to become eligible for lease aid, a slowdown of prior year growth as New York City reached its statutory limit on the number of charter schools. Governor Hochul has proposed lifting the city's charter cap in the her Executive Budget, however, it is unclear if that proposal will be included in the state's Adopted Budget and IBO has not included the impact of lifting the cap in this option. Even without the change, it is likely, however, that rental assistance payments will continue to grow somewhat in coming years as existing charter schools expand by adding new grade levels and eliminating the payment could produce somewhat larger savings as this cost grows in future years.

Proponents might argue that requirement creates an unfair burden on New York City, which is the only jurisdiction in the state required to help pay for charter school rent. Additionally, many charter schools opened prior to April 1, 2014 and are able to operate without rental assistance. Furthermore, there are instances in which this aid is redundant because some charter schools use the rental payments for buildings owned by an affiliated organization, such as a Charter Management Organization.

Opponents might argue that charter schools are public schools and should be compensated for out-of-pocket rental costs if they are not provided public school space as these are costs traditional public schools do not have to bear. Alternatively, New York City public schools could avoid this expense altogether by providing charter schools with appropriate co-location in public schools. Finally, removing this financial support from charter schools currently receiving facilities aid could be disruptive to their school budgets.

Prepared by Nicholas Martin

Revenue Options

Create a Civilian Complaint Program for Bike Lane Violations

Revenue: $3 million in the first year, $6 million annually thereafter

According to the New York City Department of Transportation (DOT), 30 percent of adult New Yorkers ride a bike, and over 550,000 bike trips were made each day in New York City in 2021. That same year, 311 received more than 13,000 complaints regarding blocked bike lanes, and the Department of Finance's Parking Violations Bureau adjudicated over 77,000 summonses for vehicles stopping, standing, or parking in a marked bike lane, a violation that carries a $115 fine.

In 2022, legislation was introduced at the City Council that would create a new violation for vehicles obstructing, among other infrastructure, bike lanes near schools. This legislation, which has not yet been heard in committee, also proposed a program for civilians (i.e., individuals who are not city employees empowered to issue summonses) to submit complaints and supporting evidence for alleged violations to DOT and receive a reward of 25 percent of any fines collected. This is similar to the city's Citizens Air Complaint Program, which allows for citizen documenting and submitting of complaints about idling vehicles, also with a 25 percent reward.

If the city were to introduce such a civilian complaint program, but instead apply it beyond just school zones to all violations of stopping, standing, or parking in bike lanes throughout the city, IBO estimates this would generate $3 million in additional fine revenues in its first year, after netting out the $1 million the city would award to civilian reporters. In subsequent years, as the city improves reporting systems and public knowledge of the program grows, IBO estimates the program would yield $6 million in fine revenues annually, after netting out $2 million in rewards. This estimate could decrease as behavior improves in response to increased enforcement.

To arrive at this estimate, IBO assumes the program would double the number of bike lane violations, as the city saw a dramatic increase in idling violations after the introduction of the city's Citizens Air Complaint Program in early 2018. We also assume the Parking Violation Bureau will continue to adjudicate bike lane violation summonses and collect fines and will maintain its current collection rate for bike lane violation fines (about 92 percent of such fines are collected within three years).

Proponents might argue that a civilian complaint program for bike lane violations is necessary, because many 311 complaints do not result in a summons since violators have often moved on before city officials arrive to investigate. They may also argue that if this program discourages drivers from blocking bike lanes it will improve safety for bicyclists who face greater risks when they veer into the motor vehicle lanes to get around obstructions in the bike lane. Rider safety would also benefit if the revenue from these fines was used for further improvements to street safety.

Opponents might argue that a civilian complaint program inappropriately places the city's responsibility to enforce its laws on civilians, rather than agencies like the New York City Police Department, which are already responsible for and funded to enforce bike lane laws. They may also argue that encouraging civilians to participate in bike lane enforcement could lead to confrontations between drivers and reporters as they collect evidence of violations.

Prepared by Emily Pramik

Revenue Options

Establish a Stormwater Utility Fee

Revenue: $120 million annually for investment in the city's water and sewer system

In New York City, over 60 percent of the city has a combined sewer system, where stormwater and wastewater run into the same channel. To avoid overloading the sewage system during heavy rain or storms, the city discharges untreated sewage into local waterways. This has harmful environmental and public health impacts. In 2012, the city signed an agreement with the state to reduce combined sewer overflows or CSOs. In the city's fiscal year 2023 Adopted Capital Commitment Plan, $3.2 billion is planned for mandated projects to reduce CSOs over the next eight years.

The operation and maintenance of the city's water system, as well as the debt service on its capital infrastructure, is paid for through water and sewer fees. These fees are collected by the New York City Water Board. Water fee revenues are not available for general operating purposes as they must be used for reinvestment into the city's water system. Currently, water fees are collected based on the consumption of water, and not on the quantity of stormwater runoff generated by a property's impervious surface area. The Water Board has the authority to set utility rates to cover the cost of operating and capital improvements for the water and sewer system; pending legislation in Albany would further clarify the scope of the Water Board's rate-setting authority.

In this option, the Water Board would add a stormwater utility fee to each property's water bill based on the square footage of impervious surface on their lot. (IBO assumes public roads would not be charged for impervious area.) The fee would be set to $2.67 per 1,000 impervious square feet each month. This is what Washington D.C. charges—the lowest rate among cities with stormwater charges reported in an ongoing study by the city's Department of Environmental Protection. IBO estimates that a stormwater fee could generate $120 million annually in revenue, based on impervious surfaces measured by the city in 2020. This revenue would be dedicated to maintenance of the city's water and sewer infrastructure. Because a stormwater fee would likely be accompanied by a credit program for residents who install green infrastructure, the total revenue generated from this fee may decrease over time as drainage improvements are made by property owners.

Proponents might argue that implementation of stormwater fees would provide incentives for property owners to reduce runoff, making the sewer system better able to handle demand during rainy periods and reducing pollution in local waterways. Because properties, such as parking lots, which contribute a substantial amount of runoff into the city's stormwater system are not necessarily the properties paying the current fees based on water usage, the Water Board could use stormwater fee revenue to offset existing or future water rate increases, improving equity across properties.Stormwater fees can also be designed to fit the needs of a community through credits, discounts, and grant programs that enhance equity and encourage green infrastructure.

Opponents might argue that adding a stormwater fee would place a financial burden on property owners that currently do not have buildings using water. The data required to accurately measure impervious surface and charge properties could be costly to keep up-to-date and is still only an estimate that property owners may dispute, potentially adding to city administrative costs. Lastly, if the credits and discounts are popular, the total revenue produced by a stormwater fee could be much smaller than IBO's estimate.

NEW February 2023

Prepared by Brian Cain, Jordan Paige, Logan Clark, and Sarah Stefanski

Revenue Options

Increase the Number of Tax Auditors in the City's Department of Finance

Revenue: $165 million annually

Tax audits conducted by the city's Department of Finance (DOF) typically bring in over $1 billion in city tax revenue in most years. The amount of revenue collected is sensitive to the Department of Finance's auditing efforts. The number of auditors on the DOF's payroll has been declining in recent years. After peaking in 2019 at more than 350 auditors, by 2022 headcount fell to about 75 percent of the peak, to a level not seen since at least 2013. Concurrently, audit revenue has generally declined, from a high of $1.3 billion in 2018 to $849 million in 2022.

Audits of the city's business income taxes—the corporation taxes and the unincorporated business tax—account for the vast majority of DOF audit revenue, about 82 percent on average in recent years. From 2014 through 2016, DOF made large investments in information technology within the audit unit in order to design and maintain systems that would more effectively identify those potential audits most likely to generate large amounts of revenue.

By comparing the historical relationship between the number of city auditors on the Department of Finance's payroll and the amount of tax audit revenue collected, IBO calculated average net revenue (audit collections minus salary and benefits) generated per auditor from 2017 through 2022, a starting year that captures the impact of newly employed information technologies on revenue. If the city were to hire 50 auditors, restoring staffing levels to their pre-pandemic average, IBO estimates that this could yield $165 million in additional tax revenue annually.

Proponents might argue that tax audit revenue represents money that is owed to the city under existing tax law; it should have been already paid and is not a new or additional burden on the businesses or individuals who are audited. The amount of revenue that can be brought in exceeds the labor costs of conducting more audits, making this a sound financial decision for the city. They might also argue that as total tax revenue has continued to grow, in the long run, more effort should be made to ensure that the city is not losing out on revenue due to noncompliance, a sum which could be correspondingly growing as well.

Opponents might argue that audit revenue is a small percentage of total city tax revenue and that efforts to raise additional revenue should be focused elsewhere. They might also argue that since most audit revenue comes from the business income taxes, which are already very high in the city compared to other localities, increased compliance efforts and the costs incurred by businesses during the auditing process may deter business activity in the city. Finally, there would be diminishing returns to hiring additional auditors, because it is likely that the current system prioritizes audits that maximize revenues, and because the city would have to offer higher salaries to new hires in order to compete with the private sector.

Prepared by Cole Rakow

Revenue Options

Increase Film Permit Fees

Revenue: $4 million annually

New York City long has been regarded as one of the most sought-after filming locations. For many years, it also was fairly unique in providing free permits and other perks to attract projects to shoot in the city. However, in 2010, citing budget constraints due to the Great Recession, then-Mayor Bloomberg implemented a production fee with the intention of offsetting the city's administrative costs, an action that was in line with fees that were collected in other major cities.

Under the current structure, the city has two sets of permits: required permits cost $300 per production and optional permits are free. Required permits are needed for productions with filming equipment, prop weapons, prop vehicles, and actors in police uniform. Optional permits are for hand-held camera productions only, but by getting a permit (optional or required), producers receive access to parking, the police department's Movie & TV Unit, and other services. From 2012 through 2019, the city issued an annual average of 11,000 filming permits annually according to the Mayor's Office of Media and Entertainment, and during fiscal year 2022 around 7,150 permits were issued.

When the permit fee was introduced in 2010, it was set at $300 to offset costs associated with administering city services for filming productions. In this option, the city would instead implement a $30 application processing fee and increase the film permit fee to $400. This change would allow New York City to account for inflation costs, but also bring the fee structure in line with what other cities, such as Chicago, Washington, DC, and Barcelona, are charging on a per production basis.

Because of Covid-19, the number of films produced in the city has yet to come back to pre-pandemic levels, but a recovery is expected in this industry in the coming years. Based upon pre-pandemic permit levels, under the new fee structure, application and production fee revenue would be just under $5 million annually, a net revenue increase of about $4 million per year compared with the $1 million in permit fees the city received in fiscal year 2022.

Proponents might argue that fee increases are a natural occurrence in local governments that happen every few years, so this change is essentially playing catch up to match the cost to the city of providing services to film shoots. Residents and businesses can have their daily lives interrupted by film productions, and film production companies—not taxpayers—should be bearing the costs of the services provided by the city. Also, proponents might argue that New York City is a premier filming location, so producers will continue to choose the city for filming locations even with a permit fee increase.

Opponents might argue that if filming permits become too expensive, particularly for independent producers and low budget films, productions will relocate to another city while potentially replicating a New York City background. Not only would this cause the city to lose out on productions but may lower the number of film crew jobs and other film-related employment. Opponents would also argue that the media and entertainment industry took a massive hit during the Covid-19 pandemic so trying to enforce a fee hike would make this recovery period more difficult for the whole industry.

Prepared by Jordan Paige

Revenue Options

Issue Financial Penalties Against Property Owners Who Fail to Give Access for Buildings Inspections

Revenue: $13 million annually

Inspections made by the Department of Buildings (DOB) often stem from 311 complaints. However, a DOB inspector cannot inspect a building without being allowed into the building or onto the construction site; if the inspector is refused access, or no one is there to allow the inspector to enter after two attempts, DOB often closes the complaint without any violation being issued. Nearly 20 percent of complaints forwarded to DOB by 311—representing about 50,000 complaints—end in this way each year. While DOB can pursue an access warrant to gain entry, this process is onerous, requiring DOB to coordinate with the Law Department and other city agencies before petitioning in court to justify an access warrant, and so is rarely pursued.

DOB violations can carry financial penalties, which are enforced and collected by the city's Office of Administrative Trials and Hearings (OATH). When inspectors are denied access to properties, this means fewer violations and so fewer penalties. Property owners who know they are likely in violation of DOB rules have reasons to refuse access to DOB inspectors. After all, violations not only carry financial penalties, but an open DOB violation on a property can prevent it from receiving construction permits, or even temporarily halt construction work altogether. Currently, other than an access warrant, there is no mechanism to compel or incentivize property owners to allow DOB inspections.

Under this option, DOB inspectors would be able to impose a $500 penalty when they are unable to gain access to a property. Property owners could get the penalty dropped by permitting access at a subsequent inspection. Were the threat of these penalties sufficient to reduce the number of properties where a DOB inspector were unable to gain access by one third, thereby boosting the number of OATH summons issued by DOB, IBO estimates that the combined revenue from these no-access penalties, plus the additional OATH penalties collected for violations found, would result in an additional $13 million in revenue per year, in addition to the benefit of safer buildings and construction sites.

Proponents might argue that the current system presents a moral hazard—property owners who know they are likely in violation of DOB rules are more likely to refuse access to DOB inspectors. With limited ways to disincentivize property owners from refusing to access to DOB inspectors, some unsafe conditions and unlawful activities, such as illegal conversions of apartments, likely remain unaddressed, leading to buildings that are less safe for city residents.

Opponents might argue that the process to get an access warrant, through the court system, is a sufficient and fair way to decide whether DOB should be allowed to enter a property. The argument that the bureaucratic process of obtaining access warrants through the court system is too cumbersome does not justify that the city should instead use financial penalties to coerce property owners who do not elect to provide that access freely.

Prepared by Alec Goodwin

Revenue Options

Make All DOB Penalties Lienable Charges And Add Unpaid Penalties to Property Tax Bills

Revenue: $100 million annually

The city's Department of Buildings (DOB) issues violations for various issues that occur at a property: fire safety, façade violations, issues with elevators and boilers, and unsafe working conditions during ongoing construction. For some of these violations, DOB inspectors issue summonses to the city's Office of Administrative Trials and Hearings (OATH). If the violations are upheld, the respondent is required to pay penalties. However, only a fraction of the penalties owed to DOB are actually collected. For DOB violations issued in fiscal year 2021, for example, $234 million in penalties were owed to DOB, yet of that only $65 million—just 28 percent—has so far been paid in penalties as of November 2022. Currently, after a hearing is held at OATH and a decision rendered, the respondent has 60 days to pay the penalty imposed. After that, the debt is docketed and handed over to the city's Department of Finance (DOF), which uses collections agencies to attempt to collect penalties from respondents.

Unpaid DOB violations sit on the city's books for years. Currently, the city is owed $777 million in unpaid DOB penalties stretching back to the 2010 fiscal year, while a further $300 million in unpaid DOB penalties have been written off over that period. In contrast to DOB violations, the city collects a much higher percentage of the payments owed on water and sewer charges—with about 80 percent collected 180 days after the billing date in fiscal year 2022. Property owners have a strong incentive to pay their water and sewer bills because after a year, an unpaid bill results in a lien being placed against the property. Liens can make it more difficult for owners to secure financing and complicate the sale of a property, which provides an incentive for property owners to complete payments and clear the lien. (The city's authority to hold lien sales recently expired, with discussions about a replacement or revised program ongoing among policy makers. However, liens for water and sewer debt were already excluded from the most recent sale held during fiscal year 2022.)

While the city's administrative code currently allows DOB to place liens against properties for certain types of DOB violations, this option would expand that to all DOB violations, so that the consequences for delinquency on DOB penalties would be the same as for delinquency for other property-based charges. This change would likely require Albany approval. Were the city to add unpaid DOB penalties to property tax bills, IBO estimates the city would collect an additional $100 million on issued penalties annually, assuming a similar collection rate for penalties as for water and sewer bills in fiscal year 2022.

Proponents might argue that the current system, which allows many property owners to avoid paying DOB penalties for years, is arbitrary and unfair. Unless financial penalties are actually enforced, property owners will have little incentive to follow city rules and avoid DOB violations. Were this option to be adopted, property owners would have a greater incentive to comply with the city's building code and avoid DOB penalties, resulting in safer buildings for city residents.

Opponents might argue that the primary purpose of DOB violations is to ensure that buildings are safe and in compliance with the law, not so that the city can collect fine revenue. Although DOB's Homeowner Relief Program shields some small property owners from receiving DOB penalties, this option would still likely lead to more small property owners—who are less likely to be able to afford penalties—to have liens on their properties because of unpaid penalties.

Prepared by Alec Goodwin

Revenue Options

Repeal the Tax Exemption for Clergy-Owned Property

Revenue: $380,000 annually

New York State Property Tax Law allows members of the clergy who own real property to claim a $1,500 property tax exemption against the assessed value of their homes. This exemption can be claimed by clergy members who are actively involved in full-time ministerial work or who are retired and 70 years or older. Additionally, clergy members' surviving spouses can claim the exemption, so long as the spouse remains unmarried.

The number of clergy exemptions claimed in New York City has been small in recent years; there is a limited pool of individuals who are simultaneously property owners, current or former clergy members, *and* ineligible for other, deeper exemptions to the city's property tax available through state's real property tax law. Nevertheless, from fiscal year 2018 through 2022, on average, 1,232 homeowners claimed the clergy exemption annually, which costs the city about $380,000 in forgone tax revenue per year. Notably a large proportion of clergy exemptions claimed in recent years, have been concentrated in Brooklyn and Queens. Over the five-year period analyzed, 52 percent of all clergy exemptions were claimed in Brooklyn, followed by 35 percent in Queens, in contrast to only 1 percent in Manhattan. This option would repeal the exemption, which would require approval by the state legislature.

Proponents might argue that the city should not subsidize property owners based specifically on their occupation as clergy, as this represents a preference for religiously affiliated individuals in New York City. They might also argue that clergy are already indirectly subsidized in the property tax code through available exemptions for religious-institution-owned properties. Additionally, clergy members who are renters cannot benefit from this exemption. Finally, the proliferation of small exemptions in the law contributes to an unnecessarily complicated property tax system that can be difficult for everyday residents to navigate and make it difficult to evaluate the equity and efficiency impacts of the overall property tax system.

Opponents might argue that the clergy tax exemption represents an extremely small tax expenditure when compared to larger abatements and exemptions available to many property owners, for example those for condo and co-op owners. If policymakers want to reduce subsidies, they should consider amending or repealing larger tax expenditures, which have the potential to better ameliorate well-documented imbalances in the city's property tax system. They would further argue that pursuing a career in religious service is not known for being highly lucrative and repealing this exemption may hurt clergy homeowners who made financial decisions that accounted for this exemption in place.

Prepared by Alaina Turnquist

Revenue Options

Repeal the Cap on Mobile Food Vendor Permits

Revenue: $10 million annually

Since 1983, the city has capped mobile food vendor permits at 5,100, despite growth in the number of city residents and workers in the past 40 years. Permits are issued for specific mobile food vending units and are separate from the food vending and supervisory licenses, which are issued to the workers and operators of the mobile food unit. Despite the 2021 passage of Local Law 18, set to approximately double the permit cap by 2032, the outpaced demand for a limited supply of mobile food vendor permits has led to a surge in illicit leasing of permits and long waiting lists for the existing permits.

This option proposes eliminating the cap on mobile food vending permits. IBO estimates this change would yield an additional $10 million per year in sales tax revenue to the city.[1] IBO's estimate does not account for future changes planned under Local Law 18. We assume that without the cap, permits would increase by 6,250, which is a midpoint between the current permit waitlist and the longer list of interested parties kept by the Department of Health and Mental Hygiene, for a total of 11,350 permits. If the number of permits available were to increase, revenue would as well.

IBO recognizes some of the sales tax revenue collected from an expansion in mobile food vending sales could reduce sales tax collections from brick-and-mortar restaurants if customers shift purchases from restaurants to vendors. However, new sales tax revenue would also be expected from the legalization of thousands of mobile food vendors that are already operating without permits and not currently remitting state and local sales tax. IBO's estimate does not assume additional administrative or staffing costs, which we believe would be covered by proportional changes to licensing and permitting fees

Proponents might argue that lifting the mobile food vendor permit cap is prudent in stemming illicit market activity, protecting consumers, and supporting the city's smallest business owners. (Most are classified as microbusinesses, employing less than 10 people.) Street vendors increase food access and variety across the city and are a vibrant part of their communities. Many areas in the city could benefit from the expanded vending as an amenity with potential to increase local economic activity within neighborhoods. Without sufficient permits, vendors simply sell without proper licensing and permitting, which has led to police involvement that poses an unnecessary risk and liability to the city as well as the vendors themselves. Street vending has a low barrier of entry when it comes to capital and educational requirements compared with other industries. The scarcity of permits is a hurdle in an industry that is otherwise an accessible small business opportunity for lower-income or foreign-born New Yorkers. Allowing vendors to legalize can increase fairness in accessing small business support services that many brick-and-mortar businesses are already able to access.

Opponents might argue that the cap would lead to increased vending on city streets which may pose space-related challenges for some areas of the city. [AT1] There is also a shortage of commissary space, health department-licensed storage and prep spaces that most vendors are required to use to store their pushcarts or trucks and prepare food when not out on the streets. This may lead current commissary space to up-charge permit holders or lead to more vendors storing their mobile food vending equipment in non-commissary locations (outdoors or at their places of residence). The expansion of mobile food vending is unpopular amongst the brick-and-mortar restaurant sector, since mobile vendors often have a lower cost of business and can charge less, which could negatively impact storefront restaurants.

[1] IBO analysis of vendor income and expenses from the Street Vendor Census Survey, 2021. Completed by the Street Vendor Project through the Urban Justice Center.

NEW February 2023, Updated March 2023

Prepared by Alaina Turnquist