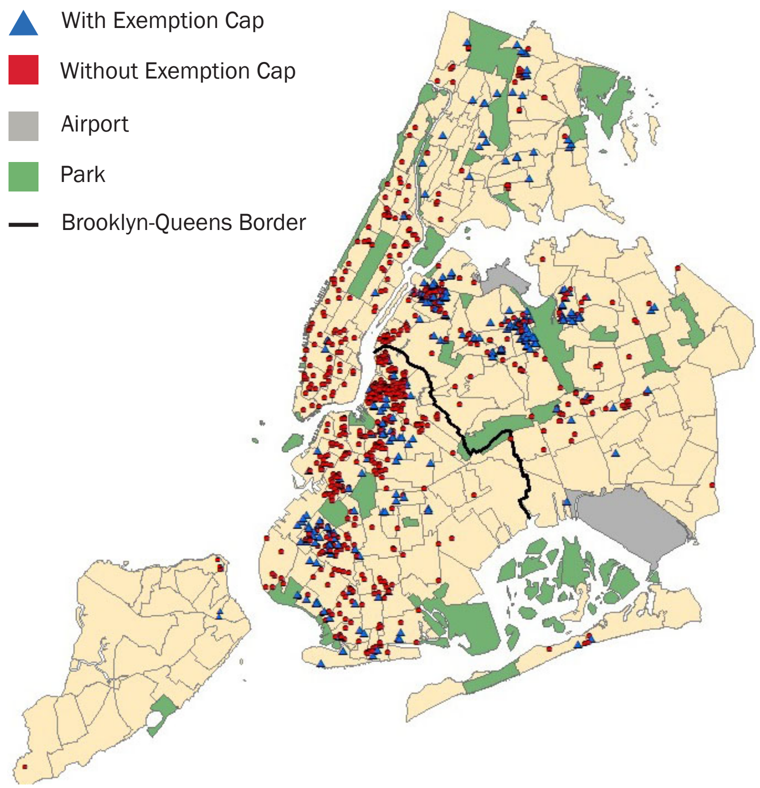
Did the 2008 Change in 421-a Tax Exemption Rules Alter the Geography of Where Buildings Receiving the Benefit Rise?

Where Are Buildings Constructed Since 2011 With 10 Year & 15 Year 421-a Benefits Located?



The 421-a property tax exemption is the city's largest tax expenditure, costing more than $1 billion in forgone taxes each year. The exemption dates back to the 1970s and is currently up for renewal in Albany. When the state last renewed the exemption in 2008 a couple of key changes were made to address criticisms that too much of the benefit went to luxury buildings in Manhattan (where 44 percent of all 421-a apartments were constructed from 1991 through 2010) and too little of the affordable housing produced in exchange for the tax break was on-site.

One change affecting buildings under the 10-year and 15-year exemption portion of the program was the introduction of a cap that limited growth in a building's tax break as assesed value increased. Another change was the expansion of the geographic exclusion area to cover all of Manhattan and parts of the other boroughs; projects in the exclusion zone receive uncapped 421-a benefits if 20 percent of the units are affordable on-site or if the project receives substantial financial assistance through another government program. The first set of buildings with 10-year and 15-year exemptions constructed under the new rules appeared on the city's tax roll in 2011.

- Since 2011, 304 buildings (3,283 apartments) have received capped benefits. During the same period, 825 10/15-year exemption buildings (21,346 apartments) that were grandfathered under old rules and so not subject to the cap have come on the city's tax roll.
- Other than a handful of buildings qualifying for 10-year capped benefits during the programs' transitional period, the only new 10-year and 15-year exemptions in Manhattan have been grandfathered uncapped buildings.
- Queens is the site of 59.0 percent of the 10/15-year capped apartments whereas Manhattan has only 3.8 percent of the total. Conversely, among 10/15-year uncapped buildings, 28.8 percent of apartments are located in Manhattan while 23.4 percent are located in Queens.
- In Brooklyn, there is little difference in the location of new capped and uncapped buildings. Queens saw more of a change with capped buildings clustered in Astoria, Corona, and Flushing.
- In all boroughs except Staten Island, buildings receiving 10/15-year uncapped benefits have a greater number of apartments than their capped counterparts.

Since 2011, More Buildings Receiving Capped 421-a Benefits Are Located Outside Manhattan

	Capped 10/15 Year Exemptions			Uncapped 10/15 Year Exemptions		
	Buildings	Apartments	Percent of Apartments	Buildings	Apartments	Percent of Apartments
Bronx	32	318	9.7%	37	405	1.9%
Brooklyn	105	872	26.6%	457	9,734	45.6%
Manhattan	4	126	3.8%	114	6,137	28.8%
Queens	161	1,937	59.0%	212	5,000	23.4%
Staten Island	2	30	0.9%	5	70	0.3%
Citywide	**304**	**3,283**		**825**	**21,346**	

NOTE: All 20-year and 25-year exemptions remain uncapped under the changes adopted in 2008 and are excluded from the map above and this table. A total of 509 buildings containing 23,922 apartments receieved 20-year and 25-year exemptions since 2011.

SOURCES: Analysis of Department of Finance's Real Property Assessment Database since 2011; Department of City Planning

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