

Are Tax Breaks for Builders Still Needed in Hot Market?

Study Finds a Lack of Low-Income Units

By [JANNY SCOTT](#)

The Bloomberg administration's recent move to re-evaluate the tax breaks used to encourage apartment construction in New York City has led to the beginnings of what will likely be an impassioned debate: In the hottest real estate market in decades, to what extent do developers still need tax incentives to entice them to build?

In a report to be released today, New York Acorn, a community group, argues that the city's most popular tax-incentive program, known as 421-a, is not only not generating much moderately priced housing in places like Downtown Brooklyn but is, in effect, subsidizing a lot of expensive housing in gentrifying neighborhoods.

The group, which claims 36,000 low- and moderate-income families as members, wants the city to change the program to require that all developers receiving these tax breaks for building apartments in much of Downtown and central Brooklyn make 30 percent of all new units affordable to people of modest means.

The group's report comes less than a month after Mayor Michael A. Bloomberg appointed a task force of developers, housing advocates and others to rethink the program, which city housing officials say has fueled the construction of more than 110,000 units since 1971 but has also cost the city hundreds of millions of dollars in lost taxes a year.

"What we're trying to do is inform that process," said Jonathan Rosen, an Acorn spokesman. "We want to take the mayor's opening and point out that in places where you're selling condos for a million dollars overlooking the East River, you probably don't need to subsidize those developments with money from middle-class homeowners."

Under the 421-a program, developers of new multifamily housing in most neighborhoods are eligible for a 10- to-15-year exemption from the increase in real estate taxes resulting from the work,

whether or not lower-priced units are built. Only in the so-called exclusion zone, which consists primarily of Manhattan between 14th Street and 96th Street, must developers agree to include some lower-priced units in their project or nearby.

The Regional Plan Association, a civic group that works to improve the economy and quality of life in the New York region, also raised the issue this week, saying in an article in its newsletter that "neighborhoods like Wall Street, Harlem, Williamsburg and other communities throughout the five boroughs are hot residential markets in no need of subsidy."

The article, by Jeremy Soffin, an association vice president, said: "If the city is going to add another million people and jobs over the next two decades, we'll need a lot of new development. But the developers need New York just as much as we need them, so our elected officials are positioned to demand that projects make sense for the city, not just the bottom line."

New York Acorn, which successfully pressured the Forest City Ratner Companies to include mixed-income housing in its 9.1 million-square-foot Atlantic Yards project in Brooklyn, looked in its new report at 87 housing development projects in various Brooklyn neighborhoods starting at the Brooklyn and Manhattan Bridges and extending toward Prospect Park.

According to the group, all the projects will be eligible for 421-a tax breaks upon completion. But, the group found, relatively few of the nearly 6,000 units expected will be affordable for low- or moderate-income people. Noting that government data shows incomes in the area rising and the black population shrinking, the group suggested that the city was contributing to the displacement of longtime lower-income residents.

City officials, who were shown the study, said it was far from comprehensive. They said the group had overlooked at least 700 to 800 low- and moderate-income units in the city's pipeline. They said that several of the neighborhoods studied included large

percentages of public housing, where rents barely rose, and that in one of the community districts studied, fully 52 percent of all rental units were rent stabilized.

They and others also said the report included no proof of displacement.

Nevertheless, a number of housing experts said the report touched on two key questions confronting the city: Where is the housing market strong enough that developers would build market-rate housing even without tax breaks? And can the incentive system be changed to produce more lower-price housing without putting a chill on the market?

"With any targeted tax break, there's always a difficulty in targeting it to the developments that actually need it," said Ingrid Gould Ellen, an associate professor of public policy and urban planning at [New York University](#) and a member of the task force.

"The changing markets add another challenge: You may get it just right today, and then the markets change and some program that looked right today becomes a giveaway tomorrow. Or you may choke off all development."

Ron Moelis, a developer of low- and moderate-income housing and a task force member, said he believed there was a general consensus that certain neighborhoods, including TriBeCa, should be added to the exclusion zone. But he added: "I am not sure it can be broad-brushed and say the whole program should be geared toward low-income housing. I just don't know."

Brad Lander, director of the Pratt Center for Community Development and also on the task force, said he would like to see the tax breaks given only where they generated some affordable housing. "I think the 421-a debate is going to be an interesting one," he said.