

**Committee on Housing and Buildings
Council of the City of New York**

Public Hearing re: Int. No. 486

Testimony Submitted by:

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My name is Jerilyn Perine and I served in City government for 26 years including 18 years at the Department of Housing Preservation and Development where I was responsible for creating housing for the homeless, renovating the City's in rem stock, home to some of our City's poorest households and finally as Commissioner. I have recently been named the Executive Director of the Citizens Housing and Planning Council (CHPC).

I would like to thank the Council Speaker and the Council's Committee on Housing and Buildings for giving me the opportunity to testify today on the proposed legislation that will alter the program and benefits which are made available pursuant to section 421-a of the real property tax law.

Our organization's board represents a range of practitioners in housing, planning and community development and for more than 70 years has offered objective analysis of issues facing our city along with recommendations that come from careful review and seek to avoid politically charged rhetoric or positions based on an ideological perspective.

CHPC's Committee on 421-a has offered its analysis and position on this issue in its latest issue of the Urban Prospect. We have argued broadly that while it is wise to reconsider the benefits of a program that has not been revised significantly since the 1980's, the underlying need for such a program is to be found in the City's tax assessment policies which unfairly tax residential rental property. The recent report by the Independent Budget Office has underscored this problem by indicating that over the last 25 years rather than the effective tax rates for major property types being equalized, the gaps between Class 1 properties and all others has actually grown. Coops and Condos have an effective tax rate that is one and a half that of Class 1 properties while elevator apartment buildings have an effective tax rate that is 8.1 times higher than Class 1 properties. Since the disparity in the effective tax rate remains, there remains a need to provide tax relief for the new construction of housing.

Removing tax benefits completely would increase the cost of construction of housing which invariably will be passed along to the renter or end purchaser, or where the market

is not strong enough to support the increased cost, projects simply will not be built without additional, deeper subsidies. While the specter of big developers getting tax breaks from building luxury housing in Manhattan drives much of the debate around 421-s, it is neighborhoods in the Bronx, Queens and Brooklyn that will feel the increase costs most acutely if extreme affordability requirements are put into place.

In order to insulate moderate and middle income communities outside of Manhattan from bearing the burden of increased costs of housing construction we welcome the bill proposed by Speaker Quinn and her colleagues that represents a sensible compromise and avoids the unintended consequences of actually driving up the cost of housing outside of Manhattan. While there are details of the bill that we believe would improve its operation such as extending the two year period for reconsideration of the boundaries of the Geographic Exclusion Area, we believe the bill would preserve the intent of tax benefits to encourage the construction of needed housing, prevent wind fall benefits going to developers in high market areas, and ensuring that needed subsidies will be directed to those communities most in need.

We hope that while the Council deliberates this important issue that the members consider that two underlying problems have brought us here today. First the inequalities in the tax assessment system which continues to unfairly burden the construction of new rental housing, in a city starved for such units; and the impact of more than two decades of the loss of federally sponsored housing for low income households, notably public housing and Section 8 rental subsidies. And while both of these issues seem intractable we hope you will remember that they are directly causing many of the problems we are facing today. It is not 421- a which has cut off the production of public housing and placed even the units we do have in jeopardy.

And finally our organization is particularly concerned that the discourse around this issue has focused a great deal on pitting one group of needy New Yorkers against another. That is unfortunate. Please remember that housing that sells for between \$300,000 and \$600,000 is affordable to a household earning between \$50,000 and \$100,000. Even on the high end that household is the transit worker and the nurse; the teacher and the clerical worker. These households need not be vilified in these debates. They are desperately needed if we are to continue to have healthy neighborhoods that help to nurture and grow our middle class.

Thank you for your thoughtful consideration of these issues.