Anti-Displacement Policy Toolkit

Tax Credits to Keep Unregulated Units Affordable

This tool would offer a tax benefit to owners of private, unregulated rental buildings to keep their units affordable by offering below-market rents. The intent of the policy is to preserve the stock of unregulated affordable housing.

Status In NYC

Discussed

Status Elsewhere

N/A

For NYC:

POLICY OBJECTIVE:
The intent of this policy would be to keep rents affordable in unregulated units in NYC. Unregulated units don’t have the protections and restrictions that rent regulated units do; this policy would address that issue by creating a voluntary incentive for landlords to keep unregulated units affordable.

HOW DOES IT WORK?
The policy would offer a long-term property tax exemption to owners of private, unregulated or unsubsidized apartments in exchange for agreeing to keep rents low. The landlord would have to enter all rental units into rent regulation and forego rent increases based on the Vacancy Allowance or Individual Apartment Improvement Increases. Instead, only the standard Rent Guidelines Board annual rent increases would be allowed. To ensure that the program benefits low-income households, the tax exemption could be limited to owners of units that are affordable to households making a certain percentage of AMI.

WHO BENEFITS?
This policy would expand the available stock of affordable rental housing and would benefit low- to moderate-income households. However, the tax benefit would need to be significant enough to convince landlords to voluntarily forego potential profits from rent increases. The NYU Furman Center predicts that the tax benefit would be most effective in “slow growth” and “average growth” neighborhoods where expected future rent increases are not as high and therefore the economic incentive of the tax exemption would be profitable.
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HOW WOULD IT BE ENACTED?
State legislation. This tax abatement program could be enacted under Section 420 of the New York State Real Property Taxation Law, similar to the current J-51 benefit for rehabilitating properties, or Article XI of the Private Housing Finance Law, similar to the current Article XI affordable housing development tax abatement.

HOW WOULD IT BE ENFORCED?
The program would be enforced by the New York City Department of Housing Preservation and Development, similarly to existing property tax abatement benefits.

WHAT IS THE FEASIBILITY FOR ACHIEVING THIS IN NYC?
Potential Proponents:

• Affordable housing advocates
• Landlords

Potential Opponents:

• Since the program is voluntary and would be cost-effective for the City, opposition could be limited

Challenges:

• Would require state legislation and changes to property taxation, which politically is very unpopular

WHO’S INVOLVED?

NYU Furman Center
The Association for Neighborhood & Housing Development
Center for New York City Neighborhoods