



**Department of  
Housing Preservation  
& Development**

**Testimony of the Department of Housing Preservation and Development to the City Council  
Committee on Housing and Buildings**

**Introductions Nos 1118 and 1119**

**Thursday, March 31, 2016 - 10:30am**

Good Morning, Chair Williams and members of the Housing and Buildings Committee. My name is Baaba Halm, and I am the Assistant Commissioner for Government Relations and Regulatory Compliance for the New York City Department of Housing Preservation & Development. Here with me today are Miriam Colon, Assistant Commissioner for Housing Incentives; Elaine Toribio, Director of Tax Incentive Programs; and Timothy Sheares, Deputy Commissioner – Property Division at the New York City Department of Finance. Thank you for the opportunity to testify today in support of Introduction Numbers 1118 and 1119. These bills would extend the J-51 tax benefit program that is available for the rehabilitation and upgrade of New York City's housing stock.

The J-51 program has played a significant role in the improvement of New York's housing since the program's inception during the 1950's. The program was initially conceived as a way to incentivize the repair and upgrade of New York City's cold water

flats, which did not have modern building systems such as central heating, central hot water or, even in some cases, indoor plumbing. When the City required owners to modernize their buildings to include these types of improvements, many objected by stating that they could not pay for the costs of the upgrades based on their existing rental income, since it was limited due to rent control in many cases.

The J-51 program was enacted to allow owners to recover a percentage of the cost of improvements through a tax abatement. In the 1980's and 1990's, J-51 was expanded to provide a combination of real property tax benefits for improvements to multiple dwellings that vary according to location and type of building. In recent years, the J-51 program has continued to be an important tool for rehabilitating New York City's housing stock with approximately 539,549 units still receiving J-51 benefits as of FY 2016.

Under the current program, in order to receive benefits, buildings must fall within the following categories: moderate and gut rehabilitation financed with governmental assistance or privately-financed; privately-financed or governmentally-assisted major capital improvements to multiple dwellings, and conversions of lofts and other non-residential buildings into multiple dwellings financed by substantial government assistance. Buildings may receive a tax abatement, or, in some cases, a tax exemption. The tax exemption works by temporarily excluding the property from the imposition of an increase in assessed value that is a result of significant renovation work. An abatement

reduces a building's existing taxes by a percentage of the cost of the work performed to improve the building.

The tax exemption is either a 34-year (30 years of the full tax benefit and then an additional four-year phase out) or a 14-year (10 years tax benefit and then an additional four-year phase out) exemption from the increase in assessed value resulting from the J-51 eligible work. Affordable housing projects generally get the 34-year exemption, while other projects primarily receive the 14-year exemption. In addition, existing real estate taxes are abated by 8.33% or 12.5% of a percentage of the certified reasonable cost of the J-51 eligible work each year for a maximum of 20 years. The 12.5 percent abatement, which abates 150% of the certified reasonable costs, is called the enriched abatement and is primarily for projects receiving substantial government assistance to complete the work.

The J-51 program not only provides benefits to owners who receive it, but also ensures tenants are able to access more affordable housing, because units in buildings receiving a J-51 benefit must remain rent stabilized during the J-51 benefit period. The State Division of Housing and Community Renewal (DHCR) is responsible for ensuring a property owner's compliance with rent stabilization requirements after J-51 benefits have been applied to the property. It should be noted that eligible cooperative and condominiums are not subject to rent stabilization requirements.

In 2013, the State legislature authorized the extension of the J-51 tax benefit program while simultaneously promulgating reforms through Chapter 4 of the Laws of 2013,

which the Council adopted in Local Law 48 of 2013. These changes related to eligibility, construction completion periods, and the application process, and were for the purpose of enhancing the benefits made under the program and incentivizing the creation of affordable housing.

The most notable reforms adopted in 2013 were, first: Benefits for conversions from non-residential to residential uses were eliminated unless the project received substantial governmental assistance such as a government-funded loan, grant, or subsidy from a City, State or federal entity in the furtherance of developing affordable housing. Second, homeownership projects with an assessed value of \$30,000 or more per dwelling unit were now ineligible for benefits unless the work was carried out with such substantial governmental assistance. Third, the construction completion period for most projects seeking J-51 benefits was reduced from 36 months to 30 months. As part of this reduction, the application filing deadline was reduced from 48 months to 36 months after the work was commenced.

The reforms also included amendments to the J-51 rules that both implemented the statutory changes and made the J-51 application process more efficient. The 2013 rule amendments reduced the application completion period from 24 to 12 months and updated the schedule of Certified Reasonable Costs. The latter determines the abatements projects would receive for J-51 eligible work. The J-51 program expired on June 30, 2015. Last year, the state authorized the City to extend the program until June 30, 2019 (Chapter 20 and Chapter 273 of the Laws of 2015). The bills before us today,

Introduction Numbers 1118 and 1119, are necessary in order for the City's J-51 program to continue. There are currently 893 applications pending with the Agency, but we will not be able to grant a benefit for work completed after June 30, 2015 if the City does not enact these bills. The continuation of the program also signals to property owners who may be interested in upgrading their properties that a tax benefit is available to offset the cost of the work. Without this benefit, property owners may not rehab their buildings. The Administration strongly supports these bills and encourages the Council to quickly reauthorize this important tax incentive program.

The extension of the J-51 program is central to the City's interest in providing safe, habitable and affordable housing to residents of New York City. The J-51 program has been primarily responsible for the rehabilitation and upgrading of New York City's housing stock since the 1950's. The J-51 program also serves as an important tool in HPD's housing preservation programs, which seek to rehabilitate housing while simultaneously enabling owners to maintain rents affordable to low and moderate income households. It is a part of a package of low-interest loans and tax incentives that HPD offers to owners who choose to accept the agency's financing and helps them repay these rehabilitation costs while reducing the overall cost of building operations. For New York City, this means a continuously revitalized housing stock affordable to its residents.

We thank you for the opportunity today to testify in support of the continuation of the J-51 program that is an integral part of HPD's work to both physically and financially

maintain New York's housing stock. We would be happy to answer any questions you may have.

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_  
 in favor  in opposition

Date: \_\_\_\_\_

(PLEASE PRINT)

Name: Timothy Sheares

Address: 1 Centre Street

I represent: NYC Department of Finance

Address: 1 Centre Street, NY, NY

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Name: Elaine Toribio

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I represent: NYC HPD

Address: 100 Gold Street, NY, NY

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Name: Miriam Colon

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I represent: NYC HPD

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in favor  in opposition

Date: \_\_\_\_\_

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Name: Barbara Helm

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I represent: NYC HPD

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Q/A

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in favor  in opposition

Date: \_\_\_\_\_

(PLEASE PRINT)

Name: Theodore Oberman

Address: \_\_\_\_\_

I represent: Department of Finance

Address: \_\_\_\_\_

Q/A

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Date: \_\_\_\_\_

(PLEASE PRINT)

Name: Timothy Sheares

Address: \_\_\_\_\_

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Address: \_\_\_\_\_

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