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CSS REPORT REVEALS J-51 TAX BREAKS ADD UP TO MILLIONS IN LOST REVENUE TO UPGRADE FEWER APARTMENTS

Urges Reforms to Target Improvements to Affordable Housing

New York, NY, June 7, 2012 -- A review of the city's J-51 Program, which offers developers and landlords property tax exemptions and abatement benefits to renovate residential buildings, found that over a ten-year span (2001 to 2011) the program grew in cost by nearly 50 percent (18 percent after inflation) while the number of apartments improved under the program increased by only seven percent.

The rising costs of the program -- \$256.6 million in tax expenditures in 2011 -- make it one of the most expensive housing activities that the city undertakes with its own money. Most of the benefits used to take the form of tax abatements that repay landlords for their expenses in improving apartments. However, today more of the benefits take the form of a tax exemption on the increased value of apartments after improvement. While improvements to apartments in the city have stagnated, the amount of property value exempt from taxes has steadily and dramatically increased.

Those are among the findings of a recent Community Service Society of New York (CSS) Policy Brief entitled: [*Upgrading Private Property at Public Expense – The Rising Cost of J-51*](#). The report, which was undertaken to measure J-51's worth as a catalyst for stimulating improvements to city apartments, argues for either drastically altering or replacing J-51 with a far more targeted incentive that focuses improvements on units that benefit low-income tenants.

"In short, J-51 is helping to subsidize high-end, luxury apartments in places like Harlem and Bedford Stuyvesant that are obscenely unaffordable for the low and moderate-income New Yorkers," said David R. Jones, president and CEO of the Community Service Society. "It's time to overhaul J-51 so that eligible property owners who receive tax exemptions and abatements are actually making improvements to affordable housing stock that otherwise would not occur."

The J-51 Program is authorized by the state and expired last year. More than 700,000 apartments receive benefits under the program -- 23 percent of the city's total housing stock. State lawmakers

are currently debating how to extend the program. With the supply of low-income housing in New York City on the decline (low-income housing is down 30 percent from 2000 to 2007), re-directing J-51 benefits toward the greatest need makes the best use of limited public funds at a time of fiscal constraint.

“To a great extent, J-51 has evolved into a program that it is running under its own logic, and not at all connected with a policy goal,” said Tom Waters, co-author of the J-51 report. “What began as a program designed to stabilize and renovate substandard dwellings in the city is now driven by market conditions and very likely contributing to displacement and gentrification in many communities.”

Some of the benefits of the J-51 Program are going to respond to the real needs for improved housing in the city. This is particularly true in the case of government-assisted affordable buildings which account for a substantial share of the exempt buildings. Indeed, the report recommends eliminating all benefits for coops and condos *except* those being developed with government assistance. Other recommendations include:

- Improving the coordination of the J-51 benefit with the rent increased allowed in rent-stabilized buildings for major capital improvements by requiring landlords to seek a J-51 exemption before applying for these rent increases and document the outcome to the state agency that administers rent stabilizations; and by reducing the rent increases by 100 percent of the value of the tax benefit instead of only 50 percent.
- Eliminating the exemption benefit, which is now exploding in cost, except for those buildings being developed with government assistance. This could be combined with an increase in the caps on abatement levels, which would tend to raise the benefit for lower-rent developments while lowering if for high-end ones.

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For more than 168 years, the Community Service Society of New York has been the leading voice on behalf of low-income New Yorkers and continues to advocate for the economic security of the working poor in the nation's largest city. We respond to urgent, contemporary challenges with applied research, advocacy, litigation and innovative program models that help the working poor achieve a better quality of life and promote a more prosperous city.