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421-a Tax Exemption Program Extended

On November 10, 2016, the Real Estate Board of New York and The Building and Construction Trades Council of Greater New York reached an agreement to extend New York City's lapsed 421-a tax exemption program. The agreement will permit the construction of new rental housing in New York City, including a substantial share of affordable units, while also ensuring wages for construction workers. The program calls for a standard wage for construction workers in exchange for an increased number of years in which a developer can receive the tax break for setting aside apartments for affordable housing. Developers are required to set aside 20% of a project's units for low- to moderate-income tenants. The City and many in the industry believe that the tax break is essential for the construction of rental housing. The deal must be approved by the state legislature.

The wage and benefits obligation applies to buildings with 300 rental units or more in Manhattan south of 96th Street and in Brooklyn and Queens Community Boards 1 and 2 within one mile of the nearest waterfront bulkhead. The program calls for eligible buildings in Manhattan to pay on average an hourly rate of \$60 (includes wages and benefits) for construction workers. In Brooklyn and Queens the average hourly rate would be \$45.00.

The now suspended 421-a program would be amended citywide. Newly created units with income limitations would be kept in place for 40 years and would receive a 100% tax exemption benefit for 35 years. Developers will need to hire independent monitors to audit certified payrolls. The certification will be delivered to the NYC Housing Preservation and Development Department within 120 days of the receipt of the final Certificate of Occupancy. Developers may enter into project Labor Agreements. If a developer chooses to enter into a PLA, then it may opt out of the 421-a wage requirement in its entirety and still be eligible to fully participate in all other portions of the program.

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