

CITIZENS' HOUSING AND PLANNING COUNCIL OF NEW YORK, INC.
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FOR: The Committee on Tax Exemption

ON THE ABATEMENT OF REAL ESTATE TAXES

a policy for New York City

Tax abatement is a privilege, not a right. It is an economic benefit bestowed by public officials upon private persons which affects the tax base of the community. Abatement must therefore be limited in amount and be allocated without fear or favor. Inherently an out-right public subsidy, it must be used to accomplish a maximum of social good.

An essential pre-condition to a fair abatement policy is equalization of assessments between the several building types. Real estate taxes will remain as the city's major source of income: but new construction should not be over assessed to compensate for under assessments on older properties; multiple dwellings should not be assessed on a less favorable basis than single family dwellings; and dilapidated buildings producing high incomes should not escape the burden of taxes now shifted to the owners of well maintained properties by means of higher assessments on the latter. Every effort must be made to return exempt property to the tax rolls.

The use of tax abatement is an integral part of the City's workable program for urban renewal. The lure of tax abatement must be handled as an incentive to the construction and reconstruction of the city in accordance with the evolving overall plan. Property located in urban renewal areas should have preference over properties elsewhere in the city.

The provision of a vastly expanded supply of housing for middle-income families is and must continue to be a primary objective of municipal policy. Tax abatement for residential property should be rigorously restricted to dwelling units with actual or imputed rents of \$30.00 per room per month or less.

The amount of the tax abatement, if any, for a new multiple dwelling, should be set after construction is begun and after a permanent mortgage has been obtained to provide inducement to lower construction and interest costs. Tax abatement ought not to compensate for inefficient building practices or unimaginative financial arrangements.

New construction, however, of all types should be encouraged because its final assessment is inevitably greater than the assessment of the structure it replaces. Taxes on the basis of the added value created by new construction should not be due and payable until six months after the certificate of occupancy has been issued. The city will always get more in additional taxes from new construction than ever it gives away by temporarily abating a portion of those taxes.

The term of the tax abatement should not be more than five years, renewable only where necessary to preserve the middle-income character of the rental scale for an additional period of five years, and renewable under the same conditions for no more than twenty-five years in all. No renewal should be made at more than 80% of the amount of abatement during the previous period, so that a project can move from subsidization to full taxable status gradually over the years. This is in accordance with the general rule that the economic status of the tenants tends to improve over a period of continued occupancy.

The best new type of housing for an area is not to be defined as the type which requires the least amount of tax abatement or, conversely, the project which increases residential density at the expense of sound community planning. Tax abatement should be generously given to housing developments which improve the area without overloading school, transportation, and other community facilities.

The Comptroller of the City, as the local official charged with the administration of the tax abatement program, should initiate a study of the scope and effect of the program. This study should be conducted by a team of economists, planners, housing market analysts, sociologists, and mortgage bankers who should view tax abatement in relation to municipal fiscal policy, interest rates, federal income taxes, housing programs, construction practices, and a wide range of social factors. On the basis of the recommendations of the study group, the Comptroller should establish procedures for the granting of tax abatement which will be fair and forward looking and profitable for the city, its housing industry, and, of greatest importance, its inhabitants.

Alan Rabinowitz

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