

Windfall affordable housing tax break for New York developers expires

By Philip Guelpa
23 January 2016

A major tax abatement program intended to promote the construction of affordable housing in New York City, known as 421-a, expired last Friday.

In the context of the city's acute shortage of affordable housing, the expiration of 421-a has been portrayed by politicians and the news media as a major blow to Democratic Mayor Bill de Blasio's pledge to "build or preserve" 200,000 affordable housing units over 10 years.

The immediate cause of its demise was the failure of real estate developers (the Real Estate Board of New York) and building trades unions (the Building and Construction Trades Council of Greater New York) to reach an agreement regarding wage rates for construction workers hired for projects falling under this program.

The program, which provides multi-year, highly lucrative tax breaks for developers who include a specified proportion of affordable apartments in new construction projects, has been in place for over 40 years. During that time, the deficit in affordable housing has reached crisis proportions.

Far from solving the housing shortage, the major accomplishment of 421-a has been to provide a huge monetary windfall for developers. The program has been strongly supported by the industry; real estate interests are major campaign donors to both Democrats and Republicans.

In one example, Glenwood Management, a major New York real estate company, received 421-a tax breaks worth more than \$700 million over 20 years. Glenwood was implicated in the recent corruption conviction of Sheldon Silver, former State Assembly speaker.

During last year's state budget negotiations, which included the question of renewing 421-a, Mayor de Blasio proposed raising the proportion of affordable housing units in newly constructed residential developments from the current 20 percent to between 25 and 30 percent. This change was acknowledged by *Crain's New York Business*

as making a negligible difference in dealing with the dire housing shortage for working people.

Renewal was delayed, however, by a measure proposed by Democratic Governor Andrew Cuomo, requiring builders and unions to negotiate the payment of union-level wages for construction workers employed on projects covered by 421-a. This created uncertainty over whether the program would actually be renewed. Developers have scrambled to begin as many new projects as possible before the expiration deadline, which was extended for six months.

Real estate interests claim that the requirement for union-level wages would significantly increase the cost of construction (most private construction projects do not pay union rates), making it unprofitable for them to participate in 421-a. This, they argued, would greatly reduce the construction of new affordable housing units in the city. The unions countered that the cost of increased wages was far outweighed by the substantial benefits the developers accrue from the tax abatements.

The mayor and the governor, both Democrats, have engaged in a long-running and highly theatrical "feud" over housing, education and other issues. This rivalry represents cynical political maneuvering between capitalist politicians, with Cuomo, the more experienced and Machiavellian, generally outflanking de Blasio. Cuomo, whose first term as governor was characterized by savage attacks on social services, has recently taken some superficially more "left" positions on a number of issues, tactically designed to humiliate de Blasio, who was promoted as a "progressive" during his election campaign.

As de Blasio's first two years in office have clearly demonstrated, his promises to address the city's extreme social and economic inequality have been unfulfilled. His election was engineered to divert, at least temporarily, the anger of the working class against their rapidly

deteriorating living conditions with left-sounding rhetoric. That veneer has worn extremely thin.

Whatever measures the mayor has proposed, be they regarding housing, homelessness or education, have been designed with the interests of the city's elite at the forefront. His recent proposal for "mandatory inclusionary housing" in poor neighborhoods, for example, amounts to little more than city-promoted gentrification to benefit the private housing interests, and has been widely rejected as such. The mayor has also received severe criticism for the deplorable condition of the city's homeless shelters, which have been described as "Dickensian."

Nevertheless, Cuomo, who has loftier political ambitions, finds any potential rival, who might divert support from the middle class and union bureaucracies away from him, to be intolerable. Hence, the governor's countering of a number of initiatives by the mayor with his own proposals.

Cuomo's insertion of the union wage provision in the 421-a renewal had nothing to do with helping working people and everything to do with political jockeying. The requirement that private parties, the developers and the unions, agree on the wage provision in order for the legislation to be implemented was highly unusual and unlikely to succeed, pointing to its being blatant political sabotage directed at the mayor.

In another apparent effort to undercut the mayor, last week's State of the State address by Cuomo included the announcement of a major new program to address housing and homelessness, estimated at a cost of \$20 billion. However, the funding source for this program was not specified, marking this as another political maneuver with dubious substance, unlikely to pass the legislature.

The rivalry between these two Democratic Party politicians may best be characterized by quoting Shakespeare: "It is a tale told by an idiot, full of sound and fury, signifying nothing."

The claim that the loss of 421-a, which has been ineffective in stemming the increasingly acute shortage of affordable housing in the city, would be a major setback in dealing with the housing crisis is thoroughly disingenuous.

Developers have found numerous ways of manipulating the program to their own advantage, while it failed to seriously ameliorate the housing shortage. Furthermore, 421-a has been widely criticized by housing advocates for using a formula to calculate affordability that is wildly unrealistic, especially given the city's high cost of living,

thereby excluding a large portion of the city's population.

The fraud being perpetrated to promote this program as a major element in providing affordable housing is further exposed by the city's own analysis, which indicates that its expiration will result in the loss of 18,000 new units over the next four years, or an average of 4,500 per year. This is a mere drop in the bucket compared to the estimated current shortfall, by some estimates, of over 700,000 units, a figure that is likely to increase significantly in coming years.

All of the housing proposals from both the mayor and the governor are predicated on the principle that the provision of decent, affordable housing for the city's working class are contingent on developers making substantial profits. The needs of the working class, both for decent housing and livable wages, are of little consequence.

The acute scarcity of affordable housing demonstrates the intrinsic inability of capitalism to provide decent living conditions for a growing proportion of the population. A massive program of public housing construction and rehabilitation, the only way to realistically address the lack of affordable housing, is simply out of the question.

If no post-deadline compromise is reached, the end of the 421-a program will simply mean that developers will abandon any pretense of building affordable housing and concentrate all their efforts on the ballooning and highly lucrative luxury market. Even if some mechanism is found to continue a version of the program, it will no more make a substantial dent in the outstanding need than it has in the past. In either case, workers and their families will find ever greater difficulty in securing affordable housing and increasing numbers will be forced onto the streets.

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