

An Overview of the Fiscal Year 2025 New York State Budget Housing Package

On April 20th, Governor Hochul and the New York State Legislature passed the Fiscal Year 2024-2025 Budget. The budget adds a number of tools to the toolbox to build more housing in New York City by incentivizing affordable housing development, commercial to residential conversions, and accessory dwelling units as well as eliminates barriers caused by the 12 FAR cap and 421a construction deadline. AIA New York applauds Governor Hochul, Majority Leader Stewart-Cousins, Speaker Heastie, and members of the New York State Legislature for their diligent work in getting a comprehensive housing package passed and providing New York City with the much needed resources to tackle the ongoing housing crisis. AIANY looks forward to continuing to work with the State to add more pathways to build affordable housing in the future. The details of the budget are as follows:

FAR Cap

- Authorizes NYC to determine FAR and exceed 12 FAR Cap with approval under ULURP
- Projects exceeding 12 FAR cap must be equivalent or exceed MIH requirements
- Not permitted in historic districts or on same zoning lot as joint living-work quarters for artists pursuant to article 7B or 7C of MDL

Office to Residential Conversion Tax Incentive

- Applicable in NYC
- Affordability Requirement
 - Minimum 25% affordable units
 - No less than 5% of affordable units for 40% AMI
 - Weighted average 80% AMI
 - No more than three income bands for affordable units
 - No income band can exceed 100% AMI
- Non-residential buildings are eligible for conversion except hotels and other class B multiple dwelling
- Projects must be rental housing with 6 or more units
 - Commencement Date
 - On or before 6/30/26 receives 35-year benefit for conversions (100% exemption during construction, 100% exemption for first 30 years, decrease in exemption based on if project is within or outside Manhattan prime for remaining 5 years)
 - On or before 6/30/28 receives 30-year benefit for conversions (100% exemption during construction, 100% exemption for first 25 years, decrease in exemption based on if project is within or outside Manhattan prime for remaining 5 years)
 - On or before 6/30/31 receives 25-year benefit for conversions (100% exemption during construction, 100% exemption for first 20 years, decrease in exemption based on if project is within or outside Manhattan prime for remaining 5 years)
 - Completion Date – 12/31/39
- Eligible projects cannot receive any exemption from or abatement of RPTL under any law

421a Extension

- Extends construction deadline from 6/15/26 to 6/15/31 for new construction or eligible conversion projects with more than 6 units that complies with affordability option A, B, D, E, or F

421a Replacement

- Creates new program to replace 421a with 485x
- Small rental projects receive a 10-year benefit and must comply with affordability option C
 - Benefit: 100% exemption for construction period and first 10 years
 - Affordability Requirement: 50% units subject to rent stabilization for restriction period
- Modest rental projects receive a 35-year benefit and must comply with affordability option B
 - Benefit: 100% exemption for construction period. For first 25 years, 100% exemption, and for the subsequent 10 years, exemption equal to affordability percentage
 - Affordability Requirement: 20% affordable units; Weighted average 80% AMI; Three income bands and no band can exceed 100% AMI
- Large rental projects receive a 35-year benefit and must comply with affordability option
 - Benefit: 100% exemption for construction period and first 30 years
 - Affordability Requirement: 25% affordable units; Weighted average 80% AMI; Three income bands and no band can exceed 100% AMI
- Very large rental projects receive a 40-year benefit and must comply with affordability option A
 - Benefit: 100% exemption for construction period and first 40 years
 - Affordability Requirement: 25% affordable units; Weighted average 60% AMI; Three income bands and no band can exceed 100% AMI
- Homeownership projects receive a 20-year benefit and must comply with affordability option D
 - Benefit: 100% exemption for construction period. For first 14 years, 100% exemption and for the subsequent 6 years, 25% exemption (except for units with assessed value over \$98 per sqft)
 - Affordability Requirement: 100% of units average assessed value per square foot cannot exceed \$98 (upon first assessment following completion date); Owner must maintain unit as primary residences for at least 5 years
- An eligible project receiving 485x benefits cannot receive exemptions from or abatement of RPTL under any other law

Basement Apartments

- NYC authorized to establish by local law a pilot program to legalize and convert inhabited basement and cellar apartments
- Prioritizes health and safety standards in consultation with FDNY, DOB, and OEM
- Provides owners with freedom from liability
- Applies in the following community districts: Bronx – CD9, CD10, CD11, CD12; Brooklyn – CD4, CD10, CD11, CD17; Manhattan – CD2, 10, CD11, CD12; Queens – CD2
- Application to program cannot be used as basis for enforcement action for illegal occupancy of such unit

ADUs

- Authorizes NYC to adopt resolution to grant ADU exemption
- Tax exemption for ADUs for 5 years for 100% of assessed value and an additional 5 years decreased by 25% for the first 3 years and 10% decrease in the final two years not to exceed \$200k