

*As seen in...*

# **REAL ESTATE WEEKLY**

Wednesday July 20, 2011

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## **REBNY Watch**

Steven Spinola

President, Real Estate Board of New York

The Real Estate Board of New York had a number of important accomplishments in the New York State legislative session that ended on June 24.

For the first time in 15 years, New York State adopted a budget that reduced spending below the year before. The \$132.5 billion budget was adopted on time and reduced overall spending by more than 2 percent. More importantly, it eliminated a \$10 billion deficit without raising taxes, without new borrowing and without budget gimmicks.

Additionally, the adopted budget agreement puts us on a path toward fiscal responsibility by cutting next year's projected budget deficit from \$15 billion to \$2 billion.

REBNY has worked diligently for a meaningful reduction in state spending this year and a continuation of fiscal prudence in the years ahead. The adopted budget which we strongly supported achieves these important goals.

We commend Governor Andrew M. Cuomo, Senate Majority Leader Dean Skelos and Assembly Speaker Sheldon Silver for making difficult budget decisions that were necessary to improve our state's prospects for renewed growth and economic prosperity for all New Yorkers.

As part of the legislative activity prior to the adoption of the budget, we vigorously opposed the extension of the personal income tax increase (the millionaire's tax) that is scheduled to expire at the end of the year.

There was intense pressure to continue this tax and continue state spending at unsustainable levels. REBNY was a strong steady voice to let the tax expire and to bring spending under control.

We were successful in stopping two bills that would impact Mitchell Lama buildings. One bill would have required Mitchell Lama owners upon sale to dedicate all surplus and escrow funds to major capital improvements whether they were required or not. The other bill would have retroactively imposed rent regulations on buildings that have left the program.

We successfully opposed a bill that would have forced sponsors to put unsold units on the market regardless of whether there was a market demand for these units or whether such a sale would result in a loss to the sponsor.

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The State also enacted legislation that would have a beneficial impact on the real estate industry.

The legislature adopted a two percent real property tax cap to control the growth of government spending. This statewide cap however does not apply to New York City.

Two major New York City economic development programs—421a Partial Tax Exemption Program and the Industrial and Commercial Abatement Program (ICAP)—were renewed without a prevailing wage requirement. These programs are crucial to the encouragement of capital investment in new housing and new commercial and industrial development and renovation and to offset the heavy tax burden our real property tax system places on these properties.

The 421a program was extended to June 15, 2015, eighteen months longer than its typical renewal period. ICAP was extended to February 28, 2014 and does not require the approval of the City Council.

The provisions that permit the allocation of tax exempt bond financing for housing construction over a three year period, which has been a catalyst for 80/20 projects, was renewed.

In addition, the 50 percent reduction in the transfer tax for the conveyance of a property to a REIT was extended for another three years by the legislature and we expect to be signed by the Governor. Reduction in the transfer taxes to facilitate the formation of REITs which REBNY advocated has led to the emergence of REITS in New York and a surge in transfer taxes.

We introduced a bill that passed both houses and we expect the Governor to sign that would permit HFA and HDC to place tax-exempt bonds for 80/20 housing directly with a financial institutions, instead of having these short-term variable rate bonds sold weekly in the bond market with a requirement to have credit enhancement from Fannie Mae or Freddie Mac. This direct placement will offer an alternative for the financing of these projects.

We successfully supported power plant siting legislation which would allow for the development of new, more energy efficient power plants to meet the growing energy needs of our growing city. This bill has passed both houses and we will urge the Governor to sign it into law.

The renewal of Rent Stabilization preserved an owner's ability to deregulate apartments above a fixed threshold and avoided the proposals of the tenant advocates whose

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cumulative effect of their changes would have resulted in a virtual elimination of the deregulation of rent stabilized apartments.

Rent Stabilization was extended to June 15, 2015. The rent threshold for vacancy decontrol was increased to \$2,500 from \$2,000; the income threshold for deregulating a unit above the rent threshold was increased to \$200,000 from \$175,000; the allowable monthly rent increase for an individual apartment improvement was changed to 1/60<sup>th</sup> from 1/40<sup>th</sup> of the cost of the improvement for buildings with more than 35 units; and owners are allowed only one vacancy increase a calendar year. Although these changes were not in the industry's best interest, the new law maintains important provisions of vacancy decontrol.

We are proud of our accomplishments and will keep you informed on any legislative action that impacts our industry in the future.