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Affordable Housing Alert

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Summary of housing provisions from historic New York State Budget

By Erica Buckley and Deborah VanAmerongen

New York's FY2025 budget includes historic measures to spur production and protect the housing market.



What's the impact?

- The budget includes various provisions meant to spur rental housing production throughout the state.
- New York agrees to implement a version of "good cause" eviction protections.
- The budget also includes measures to preserve and spur affordable homeownership throughout the state.

Over the weekend, the New York State Legislature passed the FY2025 budget, which Governor Hochul immediately signed. Property owners, developers, and landlords must prepare for upcoming changes that are likely to impact their operations. This bulletin is a summary of the provisions in the [education, labor, housing, and family assistance budget](#) (ELFA) that impact housing and will kick start a five-part "deep-dive" series of bulletins on topics of interest including:

- / New Standards to Combat Discrimination in the Provision of Insurance to Affordable Housing
- / Good Cause Eviction in New York—An Overview of the Law and its Impact on Tenant and Property Owners
- / 421-a and 485-x—Tax Exemptions to Spur Housing Production in New York City
- / New Tools to Spur Rental Housing –including Affordable Housing from Commercial Conversion (AHCC), Floor Area Ratio (FAR) increase, Mitchell-Lama 2.0 and new real property tax exemptions outside New York City
- / The New York Budget and Homeownership—What’s the Impact on Coops, Condos, and Homeowners.

Summary of Key Provisions in ELFA Bill Related to Housing

Below is a summary of the key budget items included in the ELFA budget that are now law. The “Parts” are sections of the statute; this listing gives a sense of the totality of the changes in State law.

- / **Part O**—empowers the New York Attorney General to prosecute crimes involving deed theft
- / **Part Q**—removes the 12 FAR cap in certain circumstances and where at least 25% of the residential units are affordable to individuals and families at or below 80% of the Area Median Income (AMI)
- / **Part R**—creates the Affordable Housing from Commercial Conversion tax incentive program (AHCC) in New York. Projects that include 25% of units at a weighted average of 80% AMI (and 5% of units at 40% AMI) can receive a tax incentive of up to a 90% discount off the effective residential tax rate. Benefit duration extends up to 35 years.
- / **Part S**—addresses the legalization of specified base and cellar dwelling units in New York City
- / **Part T**—extends the deadline for completion of projects under Affordable New York (421-a). The 421-a deadline for vested projects utilizing affordability options A, B, E, F has been extended to 2031. However, the extension is not available for projects utilizing 30% at 130% options.
- / **Part U**—creates a new real property tax incentive known as “Affordable Neighborhoods for New Yorkers” in New York City (485-x) with varying affordability requirements and labor standards depending upon building size and project location.
- / **Part V**—directs the New York City Council to conduct a study on means of safe egress from multi-unit residential buildings by July 1, 2026
- / **Part BB**—prohibits discrimination when issuing insurance for affordable housing projects in the state of New York
- / **Part EE**—creates new optional local tax exemptions, 421-p, and 421-pp, for newly created or

converted affordable multi-family housing outside of New York City

- / **Part FF**—increases the recoverable amount by an owner for individual apartment improvements from \$15,000 to \$30,000 for most IAs, and up to \$50,000 for certain IAs, and makes the IA increases permanent
- / **Part GG**—provides a tax exemption on the increase in value of property resulting from the addition of an accessory dwelling unit
- / **Part HH**—enacts the “good cause eviction law” state-wide
- / **Part II**—defines “squatter” as exempt from a landlord-tenant relationship
- / **Part JJ**—directs the Department of Housing Preservation and Development to develop a program to conduct annual audits of projects receiving tax exemptions under Affordable New York (421-a)
- / **Part KK**—establishes the New York housing for the future homeownership program and the New York housing for the future rental housing program (Mitchell Lama 2.0)

As is mentioned above, we will be taking a deeper dive into several of these new programs and initiatives. Keep an eye out in the coming days for additional Alerts!

Nixon Peabody’s [Affordable Housing](#), [Real Estate](#), [Cooperatives & Condominiums](#), and [State AG](#) teams regularly work with owners and developers in New York City and beyond and are equipped to handle a range of transactional, regulatory, and litigation needs.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

[Erica F. Buckley](#)

212.940.3733

ebuckley@nixonpeabody.com

[Deborah VanAmerongen](#)

212.940.3054

dvanamerongen@nixonpeabody.com

[Meghan C. Altidor](#)

212.940.3021

maltidor@nixonpeabody.com

[Aaron J. Yowell](#)

212.940.3161

ayowell@nixonpeabody.com

[Joseph J. Lynch](#)

212.940.3717

jjlynch@nixonpeabody.com

[Richard J. Shore](#)

212.940.3050

rshore@nixonpeabody.com

