



City Council Joint Committee on Housing
and Buildings and Finance Hearing
New York City Department of Finance

Testimony of Timothy Sheares
Deputy Commissioner, Property Division

November 22, 2016

Good morning, Chairman Williams and Chairwoman Ferreras-Copeland and members of the Committee on Housing and Buildings and Finance. I am Timothy Sheares, Deputy Commissioner for Property at the NYC Department of Finance (DOF). I am joined by Theodore Oberman, Director of Commercial Exemptions. Thank you for the opportunity to testify about the 421-a tax exemption program.

The Department of Finance administers the benefits for the 421-a program. The rules of the program state that properties must receive two distinct Certificates of Eligibility to be eligible for tax benefits. The first one, the Preliminary Certificate of Eligibility (PCE), provides construction-period benefits for a maximum of three years from the start of construction date indicated on the PCE. Upon completion of construction, properties must obtain a Final Certificate of Eligibility (FCE) from the City of New York Department of Housing Preservation and Development (HPD). The FCE must be submitted to HPD, who then submits it to the Department of Finance for the property to be eligible for post-construction period benefits.

Under an informal Bloomberg Administration agreement between HPD and DOF, beneficiaries with only a PCE received post-construction benefits prior to the actual issuance of the FCE. This was done to ensure continuation of benefits while the FCE was being finalized. According to an analysis by DOF and HPD there are approximately 3,000 rental buildings receiving post-construction benefits for which no FCE was issued.

To help with enforcement and to ensure that beneficiaries are held accountable for program requirements, DOF and HPD are finalizing a Memorandum of Understanding (MOU) that allows HPD the time to review and make a determination on FCEs before they are sent to DOF.

Once the MOU is in place, DOF will be sending out letters next week to owners of rental buildings receiving the 421-a benefit for which we do not have FCEs in our files. The letter will also inform them what to do if they have not received a FCE, and direct them to work with HPD in order to obtain the FCE for the property to continue receiving the 421-a benefit. We will let these property owners know that they should anticipate that it will take HPD three months to process FCE

applications. DOF is giving these property owners until January 5, 2018 to submit the FCEs. Thereafter, DOF will suspend the benefits from properties that fail to submit their FCEs. In our view, this is a reasonable amount of time for HPD to review applications and make determinations. DOF's goal is to ensure compliance with the rules of the program, not to take away any exemptions from property owners who are complying with the program.

We are working with HPD to verify the list of property owners who will ultimately receive this letter and determine the suspension date for owners that do not comply. As I have outlined in my testimony, we take enforcement seriously and care deeply about the effectiveness of the 421-a program and are addressing issues related to property owners of rental buildings receiving the 421-a benefit but who have not complied with all documentation requirements.

Now, I'm happy to take any questions you may have. Thank you.