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The J-51 R Expansion

By Emily Myers

A proposed overhaul of New York City's J-51 R tax abatement could significantly increase access to a program that helps building fund major capital projects. Under a proposal put forward in Governor Kathy Hochul's Executive Budget, eligibility would expand to an additional 1,600 co-ops and condos.

While J-51 R currently offers a tax abatement to buildings where the average assessed value of apartments is $45,000, the new proposal would raise that limit to $60,000. "It's a win for everyone," says attorney Geoffrey Mazel, founding member at Hankin & Mazel. "It means the abatement is on the governor's radar, which is very important for the city.

The bill would also extend benefits for 10 years, far longer than the current program's four-year timeline. The tax benefits would also be greater, with abatements as high as 100% of a project's Certified Reasonable Cost (CRC) or the fair cost of an upgrade, compared to the current cap of 70%. *(cont. below)*

“If passed, it will add more predictability and provide much greater payback,” says attorney Benjamin Williams, head of the property tax department at Rosenberg & Estis. He estimates that raising the assessed value threshold would increase the number of eligible co-ops by more than 35%, adding about 900 buildings, mostly in Manhattan, Brooklyn, and Queens, split fairly evenly. Condo eligibility would rise by more than 80%, bringing roughly 700 more buildings, mainly in Brooklyn and Queens.

For Alicia Fernandez, board treasurer at Queensview, a 14-building, 726-unit co-op in Long Island City, the new proposal is welcome news. “As property values continue to climb, most co-ops have been ineligible for the abatement,” she says. The assessed value is measured on the start date of construction, which is an important consideration for buildings on the edge of the eligibility threshold. Because the Department of Finance releases average assessed values on January 15, “you’ll know in January what your assessed value is for the coming tax year, and it will give you a five-and-a-half month jump start to get your project going,” Williams says.

While co-op and condo groups are optimistic about the proposal, the bill doesn’t change some of the administrative barriers. For many campus-style co-ops, the current application fee of $1,000 plus $75 per unit puts the program out of reach. “The fees are off the charts and need to be overhauled,” Mazel says. Having spent $14 million on a range of projects, Queensview is eligible for a $4 million J-51 R abatement, but the application fee was $55,000. “You have to have liquidity,” Fernandez says. “We had the money for the fee, but for a lot of co-ops that is not an option.”

As part of the Executive Budget, the bill would not require separate City Council legislation, something that has previously led to delays. Last year, a separate J-51 R extension bill was introduced in the State Senate, but it isn’t as extensive as the Governor’s proposal. “Getting J-51 done in the budget is essential to prevent [it] from lapsing,” says Priya Mulgaonkar, director of the Green Co-op Council, which has been calling for the current program’s extension.

With the budget deadline of April 1 looming and the current J-51 R program set to expire on June 30, boards will need to strategize their way forward. For eligible buildings doing qualifying work, it might make sense to finish a project under the proposed new program rather than the current one to get the maximum benefits. “But the bill has to pass, and that's the gamble,” Williams says.