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PolicyPro: J-51 reboot flops for rent-regulated landlords, boosts co-ops and condos

A revised tax break made it into state budget with winners and losers



Kathy Hochul, Jay Martin, Geoffrey Mazel and Brian Kavanagh (Getty)

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J-51 reboot: The State Legislature is in the process of approving a revival of the J-51 property tax break as part of the state budget Wednesday, with lawmakers voting to extend the renovation incentive through 2036 and expand eligibility to more co-ops and condos. But Albany stopped short of a broader overhaul sought by owners of rent-stabilized buildings. The revamped program largely mirrors Gov. **Kathy Hochul's** executive budget proposal. It would renew J-51 for 10 years — a notable departure from the program's usual four-year extension cycle — and increase the benefit cap to cover up to 100 percent of what the city deems a "reasonable" rehabilitation cost, up from the current 70 percent ceiling. Under the proposal, the annual abatement would still be capped at 8.33 percent of renovation costs over the life of the benefit, which can stretch up to 20 years. The biggest sticking point for multifamily owners remains eligibility. The revised program keeps intact the current requirement that rental buildings be at least 50 percent affordable to qualify for the tax break. That's a far cry from what some lawmakers pushed for. A Senate proposal — along with legislation sponsored by State Sen. **Brian Kavanagh** and Assembly member **Ed Braunstein** — would have expanded eligibility to buildings where at least 90 percent of units are rent-regulated. Keeping the affordability threshold unchanged effectively freezes out aging rent-regulated buildings in need of capital work, said **Jay Martin**, executive vice president of the New York Apartment Association. "It's a zero for us," Martin said. "This is a resource we're not going to have for another 10 years. It's not great."

Martin argued the tax break remains "too prohibitive" for rent-restricted properties, pointing to restrictions that still prevent landlords from raising rents on stabilized units to recover major capital improvement costs while receiving the benefit. But the program does address the industry's complaints that J-51's reasonable cost schedule lagged far behind actual renovation costs by requiring it to be updated every two years. Co-ops and condos fared considerably better in the final deal.

Under the current program, those properties qualify only if they have an average assessed value of $45,000. The budget agreement raises that threshold to $60,000, in line with Hochul's proposal, though short of the Senate's push for a $75,000 cap indexed to inflation. Instead, lawmakers landed on a compromise: the new $60,000 threshold will increase annually based on changes to the consumer price index.

"It's a very good result for co-ops and condos," said Geoffrey Mazel, a partner at Hankin & Mazel and an executive member of Co-ops and Condos United of New York, which has lobbied for changes to the program. The revised J-51 would also cap abatements for co-ops and condos at 50 percent of a building's annual property tax bill — a limit Mazel said is unlikely to dampen participation. He added that the new version also covers filing fees that many owners viewed as burdensome under the current structure. The City Council still must approve the tax break. The state revived the last version of J-51 in 2023, but the Council took more than a year to adopt it — a delay reflected in the program's new 10-year runway.