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Real Estate Round-Up: February 29, 2008

by Jacqui Ryan (Jacqui@brooklyneagle.net), published online 02-29-2008

Restrictions to the tax abatement legislation known as 421a have thwarted development in Brooklyn and the rest of New York City, some developers and real estate professionals will argue in December when the tax break's impact comes up for review before the City Council, the New York Sun reported.

Under the current tax abatement legislation, the pre-construction property value is used to determine taxes for between 10 and 25 years. But the new restrictions, which go into effect on July 1, will require developers of new projects to preserve 20 percent of their units for affordable housing in order to receive the tax break. The neighborhoods in Brooklyn this will apply to are Park Slope, Prospect Heights and Bushwick.

The revised legislation came with the obligation for the City Council to conduct "a review of the exclusion zones through the reassessment process, which will allow us to consider the current economy," Council Speaker Christine Quinn's spokesperson, Andrew Doba, told the *Sun*. This is the moment the real estate professionals are waiting for.

Since the legislation's creation last year, certain real estate developers and lobbyists have been fighting the changes to the "lucrative tax abatement," arguing that the restrictions enforced in this slowing economy will cause serious consequences.

David Von Spreckelsen, vice president for development at Toll Brothers, explained the argument to the *Sun*: "In a market like this, the legislation fails in every respect. Banks are taking a harder look at the financing of development, land prices are decreasing in the boroughs, and construction costs are increasing. We are going to see the impact."

Some experts agree that, especially in neighborhoods in Brooklyn, the 421a legislation often makes it easier and more likely that a development will receive financing.

"At the margins, the availability of 421a abatement could help reduce the equity requirement from lenders," said Andrew Lance, a partner in the real estate practice Gibson, Dunn & Crutcher.

But not everyone is buying their argument. "We don't need tax breaks for market-rate developments in New York City," Brad Lander, director of the Pratt Center for Community Development, told the Sun. "I don't believe developers are choosing to build based solely on 421a, compared with the health of the broader market, cost of construction and interest rates."

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In an effort to influence the City Planning Commission's rezoning blueprint, the DUMBO Neighborhood Association (DNA) unveiled its ideal plan for rezoning the waterfront neighborhood yesterday, reported *Brownstoner.com*.

"This plan better protects the area in terms of creating contextual zoning both for historic preservation and

new development,” said Historic Districts Council President Paul Graziano, who the DNA hired to construct the plan.

DNA’s plan is “more comprehensive and nuanced” than the one expected from City Planning. City Planning will most likely present a rezoning plan that applies a single R8A zoning and includes only 10 to 12 blocks, “bounded by York, Bridge and John [streets] and the Manhattan Bridge.”

But the DNA plan applies multiple zones for manufacturing and residential areas, and incorporates all 20 blocks of the historic district’s neighborhood, from Vinegar Hill to the Brooklyn Bridge.

It also goes one step further by limiting the height and density of new buildings. For residential buildings, there will be three zonings: R6B-zoned buildings will be limited to 50 feet; R7B- and R8B-zoned buildings will be limited to 75 feet; and R8A-zoned buildings to 120 feet.

The creation of the DNA plan was motivated by the reemergence of Two Trees’ proposed 210-foot-tall, 18-story building at the foot of the Brooklyn Bridge, the Architect’s Newspaper reported.

The DUMBO Neighborhood Association had not planned to reveal its plan so soon, but pushed up the presentation when members learned about the city’s plans.

— *Compiled by Jacqui Ryan*

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