



Testimony of Reinvent Albany for the Joint Legislative Hearing On Housing

March 1, 2023

Reinvent Albany advocates for open, accountable New York government.

First, we urge the Senate and Assembly to put [S543 \(Gianaris\) / A2170 \(Dinowitz\)](#), which would end the state’s Opportunity Zone (OZ) tax break, into your one-house budgets.

Today’s hearing is about how to build more housing in New York. But what most New Yorkers do not know is that under the state’s Opportunity Zone program, their tax dollars are subsidizing out-of-state construction in luxury apartments across the country.

In the federal 2017 Tax Cuts and Jobs Act, the Trump administration established Opportunity Zones, which give capital gains tax breaks to some investments in areas with low household incomes. Though supposedly intended to help needy people, there is overwhelming evidence that the biggest [beneficiaries are the very wealthy and high-end real estate](#). Importantly, New-York-based investors can receive state and city capital gains tax breaks for investing in an Opportunity Zone [anywhere in the USA](#). This means New York tax dollars are potentially underwriting everything from gun distributors in Florida and oil rigs in Texas to luxury developments in North Carolina.

The Citizens Budget Commission estimates New York’s Opportunity Zone tax-break [will cost up to \\$424 million annually from 2029](#) (\$284 million from NYS, \$140 million from NYC). These are just a handful of the properties that could receive NY tax benefits:

- [A multifamily property](#) in Charlotte, NC with “a fitness center, clubroom, resort style pool, passive courtyard, dog spa, and a virtual concierge.”
- [A “luxury multifamily community”](#) in Raleigh, NC with “a rooftop deck and club room overlooking the Redhat Amphitheater and downtown skyline, a state-of-the-art gym, and the largest pool and amenity deck in the downtown market.”

- [A \\$47 million multifamily project](#) in Savannah, GA “including a terrace level with a pool, sundeck, fitness center, and grill area.”
- [Tiny home construction in Flagstaff, Arizona.](#)

Because the Opportunity Zone program was established with almost no transparency requirements, it’s impossible to know exactly how much NY will lose, where the money is going, and who is benefitting. However, research suggests that the costs to the state and city will be massive: Citizens Budget Commission [has noted](#) that NYS “accounts for a disproportionate share of the nation’s capital gains income,” meaning that NY has more to lose from the program than most states. One study’s sample found [more than half of OZ investments going to real estate](#), and a second study found that [OZ investors “primarily targeted the high end real estate market.”](#) It follows that under OZs, a staggering amount of NY tax dollars could go to luxury apartments in other states rather than to NY’s schools, clean water, and public transit.

Legislators can prevent this from happening by passing [S543 \(Gianaris\) / A2170 \(Dinowitz\)](#) in the budget. By doing so, you can potentially save New York billions.

For more info on OZs, please read our new report: [“Guns, Oil, and Crypto.”](#)

Second, we call on the Legislature to reject the Governor’s proposed extension of the 421-a tax break. [As the Community Service Society of NY has shown](#), 421-a is an unaffordable way to create affordable housing. 421-a is particularly obnoxious because it is a state law that exempts high-end real estate developments from \$1.7 billion a year in New York City property taxes. The state needs to stop giving away the City’s tax dollars and come up with cost-effective ways to finance affordable housing.

Thank you for your consideration. If you have any questions, please contact Tom Speaker, Policy Analyst, at tom [at] reinventalbany.org.