

33K Housing Units Across the City in Jeopardy Due to 421-a Completion Deadline, REBNY Report Finds

In December 2022, REBNY surveyed its members and industry peers to better understand the state of the housing development pipeline in New York City. The survey revealed many projects vested under the 421-a program are struggling to move forward.

Projects vested under 421-a must be built by June 2026 in order to receive the 421-a benefits that facilitate rental housing construction. This means projects unable to be built by that time will likely never be built at all, which would result in the loss of thousands of planned apartments amid a housing supply crisis and the loss of many planned construction and building service jobs as the City continues to recover from the economic impacts of the pandemic.

Key Findings:

- Approximately 33,000 units across 72 projects are in jeopardy of not being built or completed in time because of the existing 421-a deadline. Of the 32,000 units, approximately:
 - 16,000 units are in Brooklyn
 - 1,000 units are in the Bronx
 - 10,000 units are in Queens
 - 6,000 units are in Manhattan
 - 100 units are in Staten Island
- Over 8,200 of these units are affordable units, with many under the Mandatory Inclusionary Housing (MIH) program and therefore permanently affordable.
- Many of the projects at risk of not being completed are in recently rezoned areas, such as Gowanus. The pipeline of development proposed following the Gowanus rezoning represents approximately 7,000 planned apartments, including more than 2,000 below-market-rate apartments, as well as many potential construction and building service jobs — which are all at risk of being lost if these projects cannot be built by June 2026.

Challenges:

- **Financing** – In the last six months, the debt markets have become increasingly challenging. Many of these projects are looking for construction financing now and into 2023. Banks, however, are looking for a 12-month buffer before the completion deadline, meaning a June 2025 completion or less than three-year construction timeframe. This is nearly impossible to meet for large projects.
- **Agency difficulties** – Many projects have faced challenges in getting Department of City Planning (DCP) waterfront certifications to commence construction, HPD IH certificates of completion required for TCO, and other requirements needed to move projects along.
- **Construction contractor shortage** – All projects are competing for the same contractors at the same time. Tight timelines can lead to damaging shortcuts in order to meet the completion deadline.