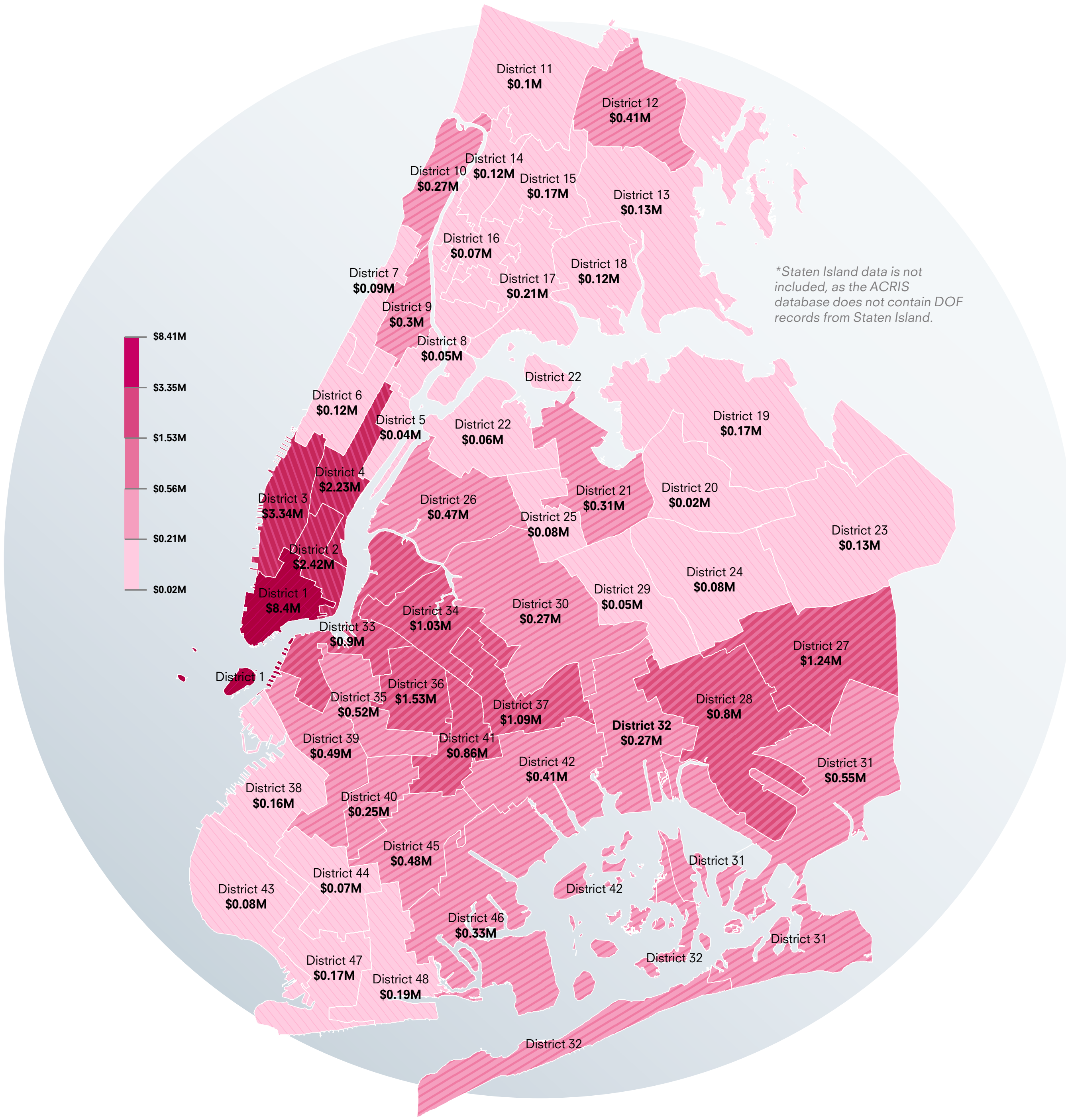
DISTRIBUTION OF A PROPOSED 1% TAX ON FLIPS IN 2014, BASED ON SALES PER CITY COUNCIL DISTRICT

How much money would your district have?



Landscapes of Profit

In 2014, 'flippers' or 'rehabbers' sold $3.4 billion of real estate that they owned for two years or less.

If these sales were taxed at 1%,
NYC would have over $33.7 million for affordable space this year,
enough to build over 150 new units of affordable housing,
or to secure 125 permanently affordable workspaces
for nonprofits and small businesses.

MEASUREMENT

Financial measurement dominates the spatial realm: property *appraisal, valuation, underwriting*, dollars per square foot, rates of return, dividend yields. Standard measuring sticks for space privilege extractive calculation about built environments. Imagine, however, if standards of measurement in real estate were not at odds with the experiences of 99% of residents of the city. Imagine measures for community gatherings per month, artworks per square foot, or community garden yields. Great cities attract residents and tourists with their opportunities for public culture, green space, local art, and street vibrancy -- not their return on investment in real estate. The long term residents who have cultivated gardens, established small businesses, and beautified neighborhoods for decades are now being displaced by rising real estate values that are based on the social spaces they helped to create. How might we measure investment in real estate and concern for local community simultaneously?

PROPOSAL

Property flipping is a practice whereby a recently acquired property is resold, often for a considerable profit. In the last ten years, $23 billion of flipped properties have sold in New York City. ***Landscapes of Profit*** measures the amount of money that would be generated if a 1% surcharge or "tax" were placed on sales of flipped properties, and proposes earmarking this tax for a fund for affordable space. If such a tax had been implemented from 2004 to the present, the tax would have raised an average of $23 million per year from over $23 billion in sales. Last year, it would have raised over $33 million for affordable space.

RATIONALE

One of the biggest challenges facing the de Blasio administration is how to fund the City's affordable housing agenda. While the New York City 421a and J51 tax abatement programs provide critical incentives for the construction and renovation of affordable units, many of these regulatory agreements have expiration dates, allowing the City to lose nearly as many affordable units as it creates.[1] As nearly 70 percent of Brooklyn home sales go to hedge funds, investors, and international buyers[2], some of that investment must be captured for local wealth, resilient culture, and civic engagement. The City must create additional revenue for permanently affordable housing and workspaces.

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1. "ANHD Policy Work", Association for Neighborhood and Housing Development, accessed August 13, 2015. http://www.anhd.org/?page_id=4456
"From 1990 to 2008, New York City lost 31% of its subsidized affordable housing stock and ANHD's research finds that 72.3% of affordable city-subsidized units created between 1987 and 2007 is at risk of losing affordability by 2037. This erosion is caused in part when publicly subsidized housing has a built-in expiration date for affordability. For decades the city and state have financed subsidized housing that requires just 30 years or less of affordability, after which developments originally built for low-income residents abandon affordability requirements. This has undermined much of the available affordable housing."

2. Creswell, Julie. "G'Day From Bushwick." *The New York Times*. November 19, 2013, accessed August 13, 2015. http://www.nytimes.com/2013/11/20/realestate/commercial/brooklyn-homes-draw-australian-investors.html?_r=1.
"'I'd say by the spring, maybe 70 percent of the sales we were seeing were to hedge funds, investors and others taking advantage of what was happening in Brooklyn,' said Stephanie O'Brien, a real estate broker with Douglas Elliman in Brooklyn. 'Only about 30 percent were actual end users or first-time buyers.'"

IMPACT

If 1% of the sale price of "flipped" or "rehabbed" properties bought and sold within two years were earmarked for permanently affordable space, the 2015 fund would draw 1% from the $3.37 billion dollars of "flip" sales in 2014, providing $33.7 million dollars for the fund for affordable space this year, enough to build 150 new units of affordable housing[3] or to secure 125 permanently affordable workspaces for nonprofits and small businesses.[4] The 2016 fund would draw from 1% of "flip" sales in 2015, which reached $1.8 billion in May of this year, generating $18.3 million of possible revenue for affordable space in 2016 so far. If such a tax had been implemented from 2004 to the present, the tax would have raised an average of $23 million per year from over $23 billion in sales.

If the fund supported affordable space in the same districts where the flip sales occurred, the following districts would receive community benefit funds:

City Council District 1 (Lower Manhattan) would have 1% from the $840 million in "flips", or $8.4 million in additional revenue from "flips" in 2014 in that district.

City Council District 3 (Hell's Kitchen, Chelsea, the West Village, and parts of Flatiron, SoHo and the Upper West Side) would have $3.3 million from 2014 "flips" in that district.

City Council District 4 (Upper East Side, Central Park South, Grand Central, Tudor City, Waterside, Peter Cooper Village, Carnegie Hill, Stuyvesant Town, United Nations; part of Yorkville, Turtle Bay) would have $2.2 million from 2014 "flips" in that district.

City Council District 36 (Bedford Stuyvesant, northern Crown Heights) would have $1.5 million from 2014 "flips" in that district.

City Council District 27 (St. Albans, Hollis, Cambria Heights, Queens Village, Addisleigh Park, Jamaica, and Springfield Gardens) would have $1.25 million from 2014 "flips" in that district.

City Council District 37 (Cypress Hills, Bushwick, City Line, Oceanhill-Brownsville, and East New York) would have $1.1 million from 2014 "flips" in that district.

City Council District 28 (Richmond Hill, Rochdale, South Ozone, and Jamaica) would have $0.8 million from 2014 "flips" in that district.

City Council District 31 (Laurelton, Rosedale, parts of Springfield Gardens, Bayswater, Hammels, Arverne, Edgemere, and Far Rockaway) would have $0.6 million from 2014 "flips" in that district.

Over the past decade, the highest concentration of flips took place in 1st, 3rd, 4th, 27th, 28th, 35th, 37th, and 41st City Council Districts. In our large printed map on view at the Storefront for Art and Architecture until September 12th, we chose to isolate City Council Districts in Brooklyn and Queens because these boroughs are seeing the most for-sale inventory growth in the City today.[5]

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3. New York City, *Housing New York: A Five-Borough, Ten-Year Plan,* 2014, http://www.nyc.gov/html/housing/assets/downloads/pdf/housing_plan.pdf
Our figures are based upon the de Blasio administration's estimate (from the above report) that 200,000 housing units will cost $41.4 billion, which is slightly over $200,000 per unit.

4. Assuming the acquisition of 15,000 sf commercial building for $200/sf plus an investment of another $200/sf in development costs, for $6 million, or 20% of the $30 million fund. With a loss factor for circulation and systems, this would yield 25 spaces of 500 sf each. This rough estimate reveals that $30 million could pay for the acquisition and development of about 125 small commercial units. If this public money is matched one to one with private money, the number of units could increase to 250 small units.

METHODOLOGY

Information about sales, displayed here by council district, comes from 2003-2015 data from ACRIS (Automated City Register Information System) of the New York City Department of Finance, and MapPLUTO (Map Primary Land Use Tax lot Output) of the New York City Department of City Planning. We define a "flip" as the sale of a property of any building class that occurs within 24 months of the date of purchase. We calculate the real estate transfer “flip tax” as 1% of the sales price on properties bought and sold within 24 months. In addition, to make sure that we are not proposing a “tax” on property owners whose sales only cover the costs of renovation, we have excluded sales with under $100,000 profit in 24 months. We have also excluded sales of more than 500% of the purchase price 24 months prior so that outliers or data errors would not skew our findings. If we were to include these low and high "flips" in future calculations, we would have more money in our community benefit fund, but we wanted to make a conservative estimate to begin a conversation about the possibility of additional revenue for a fund to support development without displacement.

Staten Island data is not included in our current process, as the ACRIS database does not contain records from Staten Island.

COMMENTARY

We understand that developer-led displacement, banking on vacancy, untaxed AirBnB rentals, construction as harassment, and landlord abuses are also causes of concern that should be visualized to support campaigns and legislation for affordable space. We chose to focus on the feasibility of a “flip tax” because we were inspired by The Philadelphia Coalition for Affordable Communities’ antispeculation tax and their corresponding Development without Displacement report. We wanted to visualize the impact of “flipping” or “rehabbing” in New York City to see if such a “tax” would be taken up in addition to the mansion tax as proposed legislation for affordable space revenue generation. We understand that some property owners would simply wait 25 months to sell properties, and that models for future revenue based upon a “flip tax” should be created to understand and implement legislation with teeth.

The authors welcome commentary, contributions, and support for a visualization of the impact of a flip tax as well as the proposed changes in the mansion tax.

For more information, and to contact us, visit www.landscapesofprofit.com.

AUTHORS

Dan Taeyoung, Caroline Woolard, Chris Henrick, John Krauss, Ingrid Burrington

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5. “Q4 2014 StreetEasy Manhattan Real Estate Market Report.” StreetEasy. Accessed August 13, 2015. http://streeteasy.com/nyc/market/reports.
“This year marked the fifth consecutive year of total inventory decline in Manhattan, with total 2014 inventory nearly 19 percent below the borough’s peak in 2007. Expect inventory of homes for sale in Manhattan to grow the slowest among the five boroughs in 2015. An 8.4 percent reduction in inventory in 2014 fueled price growth and lowered the median time on market, creating a challenging environment for buyers. This years-long deficit is unlikely to be corrected in a single year, leaving Manhattan homes in relatively short supply in 2015. Across the East River in Brooklyn and Queens, however, inventory is poised to grow considerably. In 2014, the number of homes for sale in Brooklyn and Queens grew by 8.6 percent and 8.5 percent, respectively. We expect this growth to carry through in 2015. With buyers squeezed out of the Manhattan market, expect many of them to look eastward in 2015.”