Savings Options

Create a Pilot Rental Assistance Program for Individuals Exiting Jail or Prison at Risk for Homelessness

Savings: $106 million over a two-year period

There is strong link between incarceration and homelessness. Research shows that individuals exiting jail or prison are as much as 10 times more likely than the general public to become homeless. At a December 2021 City Council hearing, the de Blasio Administration testified that about 28 percent of the recent growth in the city's single adult shelter population resulted from individuals who had been involved in the criminal-legal system. Furthermore, studies show that a lack of stable housing is correlated with increased rates of recidivism and returning to jail for technical parole violations. Both the city jail and homeless shelter systems are a substantial cost to the city, with direct per person costs averaging around $600 and $130 per day, respectively, in 2020. While the number of people in jail and prison have decreased in recent years, at least temporarily, due to the policies to reduce crowding during the pandemic and an ongoing push for jail reform; this has brought to the forefront the lack of housing for many of the recently-released individuals.

Under this option, the city would create a pilot rental assistance voucher program for individuals exiting incarceration who demonstrate a lack of stable housing options. Vouchers would pay an amount equivalent to the federal Section 8 and local CityFHEPS rates (the latter is a city-funded housing voucher program for households exiting homeless shelters) around $1,900 monthly for a studio or one-bedroom apartment, and be time-limited to a two-year period—the period following release from incarceration when recidivism is most likely to occur. The vouchers are not intended for those with serious mental illnesses (distinguishing this option from supportive housing models), and could be limited to only those convicted of non-violent offenses.

The cost of the two-year voucher would average $46,000 per person, or $63 per day, which includes costs associated with administrative and housing placement services. Factoring in that some in the pilot program will wind up back interacting with either the jail or homeless system, the voucher cost would still be more than offset by shelter and jail savings. IBO estimates the potential savings on avoided shelter and jail stays at $73,000 per person. If the city were to make a total of 4,000 voucher placements through such a program, we estimate there would be net $106 million in savings for the city over a two-year period; if individuals are able to avoid state or federal prisons through the housing voucher option, there may be savings at other levels of government as well.

Proponents might argue that involvement with the criminal-legal system creates many barriers to reentry, including employment and housing prospects. Both homelessness and incarceration disproportionately affect Black and Hispanic New Yorkers, making this also a racial equity problem. Providing housing stability for a two-year period allows individuals a greater chance at finding regular employment and allows them time to reconnect with their family and communities. While supportive housing for formerly incarcerated individuals already exists in the city, those housing units are generally intended to serve individuals with greater clinical needs and are vastly oversubscribed.

Opponents might argue housing discrimination is rampant, despite being illegal, and individuals with these vouchers will struggle to find landlords willing to accept them. They might also say it rewards bad behavior, while so many other New Yorkers without a history in the criminal-legal system struggle to find and pay for housing, especially those at the lowest income levels. Others might argue that the city would be taking a financial gamble paying for vouchers on the premise that subsequent savings would materialize—if the city does a poor job identifying individuals to provide the housing vouchers to, the city will wind up spending more rather than less.

Prepared by Sarah Stefanski

Eliminate Longevity Payments to City Employees

Savings: $641 million annually

New York City provides a variety of compensation to its employees to keep them motivated and engaged in their work. In calendar year 2021, nearly 103,000 city employees received payments for achieving certain milestones in the number of years they have been employed. These bonuses for longevity are awarded to employees who work for the city for a certain amount of time. For example, an employee may receive a bonus after achieving 10 years of service, and this payment is made each year until the employee's 15th year at, which time the increment increases. The purpose of this bonus structure is to award senior employees for their years of city service, increasing retention of more experienced workers. Because longevity bonuses are set forth in contracts between the city and the various labor unions, eliminating them would have to be collectively bargained with the city's municipal unions.

In 2021, the city paid an additional $415 million in wages for longevity bonuses. As with most wages the city pays, there are additional costs to the city of providing these bonuses outside of the total amount paid to the employees in their paychecks. IBO estimates that the longevity bonus payments increased the city's pension costs in 2021 by $183 million and the city's payroll tax and workers compensation payments by $43 million. IBO estimates the city's total cost of providing longevity benefits in calendar year 2021 was $641 million.

Longevity payments can be a significant portion of an employee's total wages. In 2021, over 1,000 city employees received longevity payments that exceeded $10,000. In the most extreme cases, some city employees received longevity payments that increased their total wages by one-third for the year. The average payment was approximately $4,000 for the 103,000 city employee receiving a longevity payment in 2021. Certain labor unions, such as those representing teachers, negotiate a salary structure that includes step increases. Under the terms of these contracts employees are provided salary increases with each additional year of service. This option does not include the elimination of these types of salary increases.

Proponents might argue that most city employees already get a variety of increases in their annual salary. Unions typically secure annual salary increases that provide additional wages to all of their members regardless of number of years employed. Collectively bargained increases, along with other benefits the city offers to employees such as low cost health insurance and pension plans that are generous in comparison with the private sector, should be enough to retain city employees without the need for additional longevity payments.

Opponents might argue that these benefits allow the city to retain their most experienced employees, reducing the costs associated with high attrition rates. Additionally they may argue that the cost of longevity payments have been included in a package of benefits agreed to through the collective bargaining process. If the city were to unilaterally eliminate these types of benefits then it should be prepared to provide the unions with another benefit equal in cost. They would argue that if the elimination of longevity payments were offset by concessions elsewhere, the agreement might result in little or no real savings to the city.

Prepared by Jonathan Rosenberg

Eliminate “Specialized Academic” Bonus to 13 Screened and Specialized High Schools

Savings: $20 million annually

Every year, the New York City Department of Education allocates additional funding to 13 public high schools with “supplementary instruction and assessments, including higher course/credit loads and AP courses.” These 13 schools include the eight specialized high schools where students are admitted based on the results of the Specialized High School Admissions Test (SHSAT): The Bronx High School of Science, The Brooklyn Latin School, Brooklyn Technical High School, High School for Mathematics, Science and Engineering at City College of New York, High School of American Studies at Lehman College, Queens High School for the Sciences at York College, Staten Island Technical High School, and Stuyvesant High School. The remaining five high schools receiving this allocation use other academic screens to admit students selectively: Bard High School Early College, NYC iSchool, Millennium Brooklyn High School, Bard High School Early College Queens, and Townsend Harris High School.

This “Specialized Academic” allocation is a component of the Fair Student Funding (FSF) formula, which funds schools based on a weighted per-pupil basis designed to provide additional funding to students with greater need and is the largest source of discretionary dollars for schools. Through the FSF formula, the 13 schools listed above are set to receive an additional $1,055 per student for the 2021-2022 school year (the amount is the same at all 13 schools). Typically, this allocation represents about 16 percent of the total FSF allocations received by the 13 schools.

Based on school enrollment from the 2020-2021 school year, the total amount these schools would receive for the current school year is just over $20 million, ranging from $6 million for Brooklyn Tech to $400,000 for the High School of American Studies at Lehman College. The value of the academic bonus has been relatively stable over the years, with per-student allocations increasing slightly from $1,021 in the 2017-2018 school year to $1,055 in 2021-2022. Total enrollment at the 13 eligible high schools has grown by an average of 1.0 percent annually between 2016-2017 and 2020-2021, with 19,471 students enrolled in 2020-2021.

Proponents might argue that most of these schools are already well-resourced, having experienced teachers and well-connected parents and alumni. Some, like Brooklyn Tech, Bronx Science and Stuyvesant, boast significant endowments to help fund extracurricular activities. Given that these 13 high schools are not the only schools which educate/enroll academically well-prepared students with advanced curricula and/or AP courses, this is an inequitable use of funds. Proponents might also argue that this allocation is inequitable because of the disproportionately low number of Black students and Hispanic students enrolled in these 13 schools. Further, this funding is for supplemental enrichment rather than student need, although the latter is the primary focus of FSF.

Opponents might argue that these schools, admitting many of the most academically advanced students in the city, need these extra resources for supplementary instruction and assessments including higher course/credit loads and AP courses. Also, because the schools have historically received this money, removing this allocation from school budgets would be disruptive to these schools.

Prepared by Joydeep Roy and Nicholas Martin

Make Organics Collection Mandatory Citywide

Savings: $33 million annually after first five years

New York City has operated some sort of voluntary organics program through the Department of Sanitation (DSNY) for many years. It began as a seasonal yard waste collection program in the 1990s, later expanded to food scrap drop-off sites, and in 2013 a voluntary curbside collection program was established in select neighborhoods. The organics program was suspended in 2020 due to the pandemic, and while it resumed in 2021 it was under an opt-in model—if enough buildings in a neighborhood sign up, DSNY would pick up organics. The Mayor, however, has proposed suspending even the expansion of this model. Thus, the curbside organics has yet to grow into a citywide program and the city has never managed to divert more than about 1.4 percent of its waste from landfills to organics collection. (Around 46 percent of what goes in the city's refuse stream is compostable material.) With relatively low tonnage of organic waste being collected, DSNY has been unable to design efficient organics truck runs or negotiate cheaper compost processing costs, leading to considerably higher costs for organics on a per ton basis than refuse or metal, glass, plastic, and paper recycling.

If the city were to make the sorting of organic waste mandatory citywide, as it is for metal, glass, plastic, and paper materials, organics tonnage would increase. This would allow for the fixed cost of a truck run shift to be spread over more tons of collection, and simultaneously reduce the number of refuse truck runs needed as organics is diverted out of the refuse stream. (See IBO report on organics for further details). Beyond collection costs, the city would be in a better position to negotiate lower costs for organics processing—currently $132 per ton—if it were at a larger scale, as cities like San Francisco have done.

In 2019, DSNY spent around $775 million in total collecting and disposing of the refuse, recycling, and organics waste streams. In the near term, if organics collection ramps up, collection and composting costs would initially rise by about $39 million in total over the first three years. IBO estimates the expansion of organics would begin to yield savings roughly four years out, and cumulative savings would offset the initial cost increases by year five. This assumes the city is able to increase organics participation to match recycling rates through public advertising and enforcement, and that recycling sorting would also slightly improve as a result of increased sorting overall. In future years, diverting organics would save around $33 million annually relative to current waste collection and disposal costs. IBO's cost modelling is based upon the current volume and composition of waste being collected by DSNY, and the current DSNY fleet of single and dual-bin trucks.

Proponents might argue that the environmental benefits of composting over landfilling is a huge benefit for a city facing climate change, and that shifting DSNY priorities away from garbage collection towards recycling and organics signals the city's commitment to broader environmental efforts. Separating out compost from other waste and putting it in sealed collection bins would reduce the amount of food source for vermin in buildings and on city sidewalks. Proponents would also say that New Yorkers already learned how to sort recycling and organics sorting is no more difficult than that.

Opponents might argue that increasing the volume of organics would require more trucks on city streets at least in the short-run, adding street congestion and local pollution. Residents would have to figure out a way to sort out and store compost in their buildings before it goes to curbside collection. They may say that despite years of a mandatory recycling program, New Yorkers still do not perfectly sort their recycling and it may take many years for city residents to sort enough organics to increase tonnage sufficiently. Expanding the organics program increases overall DSNY costs in the near term, and if expected growth in organics collections does not materialize, neither will the future savings.

NEW April 2022

Prepared by Sarah Stefanski

Require Retirees to Use Direct Deposit to Receive Pension Payments

Savings: $1 million annually

The five pension systems covering retired New York City employees make payments to 337,000 retired city workers and their beneficiaries. Today, retirees and beneficiaries can elect to receive their pension payments through direct deposit into a bank account, or to receive paper checks—either mailed to their homes or available for pickup from city offices. Paper checks are printed on behalf of the pension systems by the city's Financial Information Services Agency – Office of Payroll Administration (FISA-OPA). The administrative and postage costs related to printing and mailing these physical checks, along with quarterly statements, are neither covered directly nor reimbursed by the pension system, but are borne entirely by the city through FISA-OPA.

Most retirees receive funds through direct deposit; only 9 percent of retirees elect to receive physical checks. In fiscal year 2021, the city cut 374,000 checks on behalf of the pension system, mailing 361,000 checks to retirees and holding 13,000 checks for pick-up, in contrast to just 55,000 paper checks for current city employees in that year. Were the city to require retirees to use direct deposit to receive pension payments, FISA-OPA would save $775,000 in postage costs and at least $400,000 in administrative costs each year, for a total savings of around $1 million annually.

Proponents might argue that paper checks for regularly occurring payments are obsolete. Retirees can receive payments via direct deposit for free with a bank account, so this option would reduce costs for the city without pushing those costs onto retirees. Direct deposit is also considered more secure than mailing paper checks, and allows for more timely payments. Few city employees take advantage of the option to receive paper checks, so the city should not devote time and taxpayer dollars to provide the choice to retirees.

Opponents might argue that state law bans employers from requiring direct deposit for earned wages and that retirees should receive the same option. Some retirees also may have difficulty signing up for direct deposit either over the phone or on the internet. Finally, this option would force any unbanked retirees to open bank accounts in order to receive their checks.

Prepared by Alec Goodwin and Robert Callahan

Savings Options

Switch to Digital Textbooks for High School Students

Savings: $16 million annually beginning in year four

Digital textbooks, also known as e-textbooks or e-book readers, are small portable devices that display text on a screen. In addition to traditional textbooks, NYC public school syllabi now use the Google Classroom platform for selected assignments. Under this option, high school students would switch to using digital text books exclusively. This option assumes a year-to-year phase in starting with an initial cohort of ninth grade students with each new ninth grade cohort added annually until all high school students are using digital textbooks. Savings would be generated as high school students use the same e-reader over four years. However, savings are not generated until year three of the phase-in when the cost of using digital textbooks in 9th, 10th, and 11th grade would exceed the cost of purchasing hardcopy high school textbooks for the same number of students in that year. Beginning in the fourth year, savings stabilize, growing only by the general upward trend in textbook prices.

In the 2021-2022 school year, the DOE expects to spend over $116 million on textbooks. Some of that expense is offset with revenue from state aid for textbooks under the New York State Textbook Law, which also reimburses costs for software, hardware, and library materials. This option assumes that electronic instructional materials is an allowable purchase with state aid.

The cost for e-textbooks can be separated into two costs: the one-time cost of purchasing an e-book reader device for each high school student as they enter 9th grade to be used over the course of their high school career, and the annual cost of downloading instructional materials associated with the student's courses.

Based on current average retail prices, standard e-book readers for all high school students would cost $46 million. Based on a prior proposed Department of Education contract with a vendor to provide a web-based storefront for all e-books and other electronic content IBO estimates annual contractual costs to be roughly $10 million. Under a four year phase-in that takes into account enrollment changes for each grade cohort, savings would first be realized in the third year of the phase-in and more than double to $16 million in the fourth year.

Proponents might argue that e-readers have the capability to hold the entire school year curriculum in the form of digital text that is downloaded from computers or websites and that the size of e-books reduces the size and weight of student backpacks. They may also say that digital textbooks reduce refuse and recycling costs for the city and reduce the need for photocopying when textbooks are in short supply. Finally, proponents might argue that as older versions of textbooks become obsolete, updated versions in the online format can be more easily and quickly distributed to students and that electronic copies are cheaper to produce than printed texts and therefore bulk purchase is more feasible if needed. In fact, Amazon now offers many literature classics for the Kindle e-reader for free.

Opponents might argue that although today's students are digitally savvy, a hard bound book will never exhaust its battery and become unavailable to the reader. Opponents may also argue that the burden of replacing a lost, stolen, or damaged e-reader might outweigh the usefulness of the product. It is not clear who would pay these replacement cost, or how many devices would need replacement in any given year. Opponents could also argue that many curriculum texts are not yet even offered in the e-reader format. Additionally, they could say that digital textbooks do not have the functional ease for non-sequential learning that actual physical books do.

Prepared by Yolanda Smith

Add a Surcharge to Purchase Price on HDFC Units Sold Above Local Median Prices

Revenue: $23 million over 10 years

During the economic and fiscal turmoil of the 1970s, New York City acquired thousands of derelict housing units in buildings that had been abandoned by their owners. The Department of Housing Preservation and Development (HPD) invested in rehabilitating these buildings, but since maintenance costs were burdensome for the city, HPD gradually allowed some tenants to buy their apartments and become shareholders in limited-equity cooperatives organized as Housing Development Fund Corporation (HDFC) cooperatives. The purchase of an HDFC co-op was and still is limited to buyers whose incomes do not exceed income caps, which are defined either by area median income or each HDFC co-op's governing documents. To keep HDFC units affordable, the city provides them with significant property tax exemptions under the Division of Alternative Management Programs (DAMP).

The original goal of this program was to enable low-income New Yorkers to live long-term in their own homes. More recently, many HDFC units have been sold to buyers whose incomes are lower than the caps, but own or have access to sizable liquid assets, such as young adults with affluent parents or foreign nationals with no stable income in the U.S. Many are able to buy the units upfront, without need for financing, while enjoying low property taxes for up to 40 years. Because the tax breaks are structured as a cap on the assessment subject to tax, they are greatest for the most expensive units. This makes HDFC units in areas where housing prices are appreciating rapidly particularly attractive, and wealthy buyers may offer higher purchasing prices in return for tax benefits over many years.

If buyers of HDFC co-ops at prices above the neighborhood median sales price of all coop units were to pay a surcharge on the real property transfer tax (RPTT) at 5.0 percent of the purchase price, IBO estimates the city would earn an additional revenue of $23 million over a decade. This estimate is based on the number of HDFC sales at prices above the local median—about 1,100— over the last 10 fiscal years—or just over a third of all sales of HDFC coop apartments during the period. The RPTT surcharge is levied even if the property is fully or partially exempt from RPTT, and would require legislative approval from the state.

Proponents might argue that the surcharge is progressive because those who enjoy the largest tax breaks—buyers of most expensive units—would also face the largest surcharges The surcharge allows wealthy buyers of HDFC units to compensate the city for the property tax benefits they enjoy, while not reducing the size of the city's affordable housing stock. By limiting the option to only units that are sold (as opposed to all existing HDFC units), low-income families who continue to live in HDFC units would still benefit from the current exemptions.

Opponents might argue that this option would make HDFC units generally less affordable to buyers with low incomes because it adds to their housing costs. It also makes homeownership less affordable for families with relatively sizable assets but limited or fixed incomes, such as retirees, who may find it more difficult to afford the ongoing maintenance costs associated with other co-op units. It also could worsen the spatial segregation of city neighborhoods by further discouraging low-income families from buying HDFC units in higher-price neighborhoods.

Prepared by Pooya Ghorbani

Revenue Options

Establish a Retail Storefront Vacancy Tax Surcharge

Revenue: $170 million annually

Unique, independent businesses are often cited as a feature of attractive New York City neighborhoods, but rising commercial rents have made the city increasingly unaffordable to small businesses. As businesses close, the storefronts left behind can then remain empty for years. In 2019, the city's Comptroller's Office found that vacant retail space in the city had doubled from 2007 through 2017 According to data from 2019, gathered by the Department of Finance under Local Law 157, the city had 69,654 storefronts. Of these storefronts, 5,511, or about 8 percent, were listed as vacant, for an average length of 1.5 years.

Property owners have various incentives to hold retail spaces vacant rather than lowering the asking rent. The longer terms of commercial leases—usually five to ten years—means that property owners may be reluctant to lock in leases in periods of economic downturn. Owners can also write off operating expenses from vacant storefronts against profits from other properties they own for income tax purposes. Commercial mortgages held by the property owner are sometimes structured so that if the rent falls below a certain threshold, the bank can demand more collateral—something that can be avoided if the storefront sits empty. Building owners may also be choosy about which businesses they rent to, often preferring national chains, which can afford higher rents and provide greater certainty that future rents will be paid compared with small independent businesses.

Too much vacant retail space represents a potential market inefficiency. While property owners have the right to hold their storefronts vacant, those storefronts could instead be occupied by businesses that would provide additional jobs and services in the neighborhood. Furthermore, when storefronts sit empty, they can impose negative externalities on the neighborhood surrounding them. Vacant storefronts mean less vibrant neighborhoods and fewer local amenities. Vacant storefronts also mean fewer "eyes on the street," which can contribute to making an area appear more prone to crime.

A property tax surcharge on vacant retail storefronts would penalize property owners for leaving them vacant for long periods, with the intention of discouraging this behavior. Many proposals have been raised at the state and city levels to establish a retail vacancy tax based on square footage or based on property values. For this option, a property tax surcharge would be placed at 1 percent of the assessed value of the property in which the storefront is located, if the storefront remains vacant for longer than six months (a storefront would be considered no longer vacant once a new lease is signed or when construction for the new tenant has started). Assuming the incentive to avoid the tax surcharge lowered the number of vacant storefronts by half, IBO estimates that the city would raise about $170 million per year.

Proponents might argue a retail vacancy tax surcharge would mean more pressure on property owners to adjust rents downwards in bad times—which could mean lower commercial rents across the city—rather than holding out for a more favorable conditions to materialize. It might make it easier for local businesses to afford commercial rents, and deter property owners from pushing out tenants who cannot afford an increase without a new tenant lined up. A retail vacancy tax surcharge would likely mean fewer vacant storefronts across the city, leading to more vibrant neighborhoods.

Opponents might argue that storefronts are the owner's property, to do with as they like. While they can write off operating costs, owners lose money on vacant storefronts, and it would be unfair to penalize them. Most commercial leases in the city are triple net, where tenants share increases in property taxes. This could mean that owners pass on the surcharge to tenants. Exemptions for owner-occupied storefronts could encourage property owners to "occupy" them to avoid the surcharge. As the current storefront registry is self-reported, there would be an incentive for owners to lie , creating a need for enforcement inspections.

NEW April 2022

Prepared by Alec Goodwin

Revenue Options

Impose Penalties for Failed Façade Inspections and Increase Penalties for Outstanding Façade Repairs

Revenue: $150 million annually

The Department of Buildings (DOB) Façade Inspection Safety Program, also referred to as Local Law 11, is designed to protect pedestrians from falling debris from unstable building façades. Under Local Law 11, buildings that are six stories or taller are required to undergo façade inspections every five years. If the building fails the inspection, the building owner must erect a sidewalk shed and make repairs within 90 days, although this timeframe may be extended by DOB. Beyond that period, if repairs are not addressed, the building owner incurs a civil penalty of $1,000 per month, with additional penalties that increase after the first year.

Over the past two decades, the number of sidewalk sheds on city streets erected after a failed façade inspection more than tripled, from 1,100 in 2000 to 3,400 in 2021. Many of the buildings that fail a façade inspection are not repaired in the year following the failed inspection. In 2021, 57 percent of sidewalk sheds erected after a failed façade inspection were up longer than a year; 7 percent of these sheds were older than four years. Sidewalk sheds can be a nuisance to pedestrians, residents, and business owners; they block light, collect trash, narrow sidewalks, and interrupt the streetscape. Furthermore, sidewalk sheds that remain up for years after a failed façade inspection represent long-uncorrected unsafe conditions.

This option would impose a penalty for buildings that fail a façade inspection in an effort to encourage more preventive maintenance and improve the timeliness of repairs when problems are identified through Local Law 11. The penalty would be equal to 1 percent of the building's assessed value, with a cap at $150,000, upon failure of an inspection. An additional penalty of the same amount would be added on for each additional year the façade repairs are not completed. The median annual penalty for failing a façade inspection under this option is estimated at $48,000. IBO estimates that the city would collect an additional $150 million per year were this option to be adopted, assuming the number of buildings with outstanding façade repairs fell by 20 percent in response to the new penalties.

Proponents might argue that current penalties do little to ensure that building owners proactively maintain their façades, let alone encourage timely repairs for problems identified through Local Law 11 inspections. That incentive is particularly low for owners of high-value properties, for which the $1,000 per month penalty pales in comparison to other expenses. Proponents might say building owners may be more likely to undertake proactive repairs on their façades, rather than waiting until they fail a façade inspection to identify and address issues. When building owners drag their feet in making façade repairs, the sidewalk sheds clutter the sidewalks and create inconvenience for building occupants and their neighbors for years. The additional penalties that would accrue annually after a year would encourage building owners to resolve façade issues more quickly. Proponents might also argue that the current penalties are regressive, since the law currently penalizes owners of low-value buildings the same as high-value buildings.

Opponents might argue that the cost to fix a building's façade in a short time frame may be more than some building owners are able to afford. Were this option to be adopted, some building owners might be pushed to sell their building due to the increased penalties. Furthermore, older buildings often feature ornate stone façades that are more expensive to maintain. This option could make it more likely for building owners to raze older buildings in favor of new construction, or to replace ornate façades with plainer façades that are easier to maintain.

Introduce Fees to Apply for and Operate Open Restaurants

Revenue: $170 million annually

At the onset of New York City's Covid-19 emergency in March 2020, state shutdown restrictions limited restaurants and bars to takeout and delivery services only, temporarily shuttering all types of onsite dining. In June 2020, the city launched the emergency Open Restaurants program, which provided for the emergency suspension of rules relating to outdoor dining and liquor service. Open Restaurants enabled food service establishments to expand service outdoors to sidewalks and street parking spaces immediately adjacent to their property. The program also extended outdoor dining to areas of the city beyond the limited districts zoned for sidewalk café use. Since Open Restaurants launched, approximately 12,000 establishments have applied and self-certified to join the emergency program—paying no fees to apply or to use public space.

In response to the popularity of the emergency program, the NYC Department of Transportation (DOT) is designing a permanent version of Open Restaurants planned to launch in 2023. Although program rules are still being determined, DOT has said in a City Council hearing on this program that it will include additional administrative costs, such as the hiring of dedicated inspection staff as well as a plan review and public hearing process for each application. To help offset these costs and generate revenue from the private use of public space, DOT hopes to introduce licensing fees and revocable consent fees to operate Open Restaurants. This option estimates revenues from such fees, modeled on the pre-pandemic sidewalk café program.

Under the now-defunct sidewalk café program, restaurants were charged annual revocable consent fees for the use of public sidewalk space. These fees increased with the square footage of the space, and higher fee schedules were applied to cafes with sidewalk enclosures and to those located in Manhattan below 96th Street. Separate application fees ranged from $310 for small, unenclosed cafes to a minimum of $1,350 for enclosed cafes. Fees were adjusted annually to grow with the Consumer Price Index.

Under this option, DOT would adopt an inflation-adjusted sidewalk café annual fee schedule (using the lower fee schedule for upper Manhattan and other boroughs), and apply the pre-pandemic fee for enclosed sidewalk cafes to roadway seating and unenclosed café fees to sidewalk seating. A separate $1,050 licensing fee would be charged to an estimated 1,000 new applicants a year, with a license renewal fee of $525 assessed every two years. These revocable consent fees and licensing fees would generate annual revenues of around $170 million.

This estimate assumes virtually all 12,000 Open Restaurant establishments will continue under the permanent program, with little or no growth in the number, at least for the next few years. We use the self-reported seating types and square footage in DOT's Open Restaurant application data, conservatively capping the size estimates at 600 square feet to account for measurement errors.

Proponents might argue that revocable consent fees are standard for other private structures on public street spaces, such as planters and kiosks, and it would be fair to include open restaurant seating. Revenues from consent fees and application fees could help offset the costs of hiring new DOT inspectors and staff to review permits, and would support the agency coordination necessary for enforcement of program health and safety standards.

Opponents might argue that these fees place an unfair burden on restaurants and bars, business which continue to be harmed by the pandemic to a greater degree than other retail establishments. They might also argue that such fees could preclude new or smaller restaurants from participating in the program, and may leave them more vulnerable if future emergencies once again limit indoor dining.

Prepared by Emily Pramik