

## Reacquire Battery Park City

Revenue: \$70 million annually after two years

Battery Park City is a 92-acre neighborhood built on landfill on the southern tip of Manhattan. The state created the Battery Park City Authority (BPCA) in 1968 to finance, develop, and operate the area. The BPCA is a public benefit corporation. It owns the land and manages the now fully developed area, which includes residential and commercial buildings and parkland. The Governor appoints BPCA's board.

Although Battery Park City is exempt from city property taxes, the city assesses pro forma property taxes as if they were owed and tenants make payments in lieu of taxes (PILOTs) to BPCA instead of payments to the city. BPCA's operating revenues—which totaled \$307 million in 2018—come primarily from the PILOTs and rents from ground leases. BPCA expenses are largely debt service and operating costs, such as infrastructure and parks maintenance. The city provides most municipal services, however, such as schools, sanitation, and police.

The BPCA is required to remit to the city PILOT revenue remaining after operating expenses, certain debt-service payments and other costs. In 2018, this transfer totaled \$155 million. The BPCA retains its other surplus revenue, but can spend it only for purposes agreed upon by the Mayor, BPCA, and the City Comptroller. The most recent agreement was signed in 2010. It allocated \$861 million of accumulated and projected future surpluses: \$200 million each to the city and state for budget relief, \$200 million to the city for affordable housing, and \$261 million for city for pay-as-you-go-capital (PAYGO). As of 2018, \$88 million remained to be paid to the city for PAYGO capital.

Under the terms of its agreements, the city can reacquire Battery Park City for a nominal fee at any time. To do so, the city must assume or pay off BPCA's outstanding debt (about \$1 billion in 2018) and satisfy other contractual obligations. This option would have the city reacquire Battery Park City, giving the city full control over the development's revenues.

City revenue would increase by guaranteeing all surplus income would flow to the city without requiring the authority's approval. Following the satisfaction of past agreements and based on recent budgets, this could total about \$70 million annually, above what the city now receives as a transfer of PILOT revenue in as little as two years.

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**Proponents might argue** that Battery Park City differs little from other city neighborhoods—it receives similar services, and its residents, in effect, pay the same taxes. Now that the neighborhood's construction is complete, the BPCA is unnecessary and the city should have exclusive control over the revenue it produces. While the city already receives most of BPCA's excess funds, the state-controlled BPCA board can and has at times allocated funds to fill state budget gaps to the detriment of the city. If the city realizes efficiencies by combining BPCA and city operations, revenue would increase. The city would also have the right to sell land now leased through ground leases to private developers.

**Opponents might argue** that Battery Park City is one of the city's best-maintained neighborhoods thanks to its dedicated funding. Residents and business moved to the area, often paying higher rents due to the ground lease structure, in exchange for its amenities. If funds were distributed citywide, local maintenance would suffer—particularly hurting the neighborhood's many parks. They also might argue an ownership change is unnecessary: BPCA is already required to transfer most of its surpluses to the city and the remaining funds cannot be spent without the city's approval.

## Allow the Relocation and Employment Assistance Program to Expire

Revenue: \$3 million in 2021, increasing gradually to \$33 million in 2033.

The Relocation and Employment Assistance Program (REAP) provides city tax credits to businesses that relocate jobs from outside New York City or from Houston Street to 96<sup>th</sup> Street to the boroughs outside Manhattan or to eligible locations in Manhattan (below Houston Street or north of 96<sup>th</sup> Street). Currently, firms receiving REAP benefits get credits for 12 years against their business income and utility taxes; REAP tax credits are refundable for the year of relocation and the next four years. The credits are either \$3,000 per qualified employee for businesses relocating to eligible areas also designated as revitalization zones or \$1,000 per employee for firms moving to areas outside of revitalization zones.

Originally enacted in 1987, the program has been renewed several times. The amount and duration of credits and areas of the city that are eligible have also changed over the years. REAP is currently set to expire on June 30, 2020 and state legislation is required for the program to be reauthorized. The program, however, has never been evaluated to make sure that it is achieving its stated objective: expanding employment outside of the Manhattan business core, particularly by attracting new firms to the city. The Department of Finance estimates that REAP credits cost the city \$33 million of foregone tax revenue in 2019, with around 200 firms receiving the credit. If REAP were allowed to expire this year, the cost of the program would phase out gradually over 12 years as firms currently receiving the credit would continue to do so until their eligibility ended. Savings in the first year would be about \$3 million, growing to \$33 million in 2033.

Proponents might argue that although REAP helps companies reduce the cost of relocating to eligible areas of New York City, it likely does not play a vital role in companies' decisions to relocate employees. Businesses considering a move to New York City are more concerned with access to markets, a highly skilled labor force, and other amenities the city has to offer. As of fiscal year 2019, only 197 firms out of the hundreds of thousands of firms operating in the city benefited from this program. Proponents might also point out that businesses that become eligible for REAP by simply relocating from one location in the city to another do not increase the city's employment base.

Opponents might argue that because the cost of doing business in New York City is already so high, any program that provides a financial incentive for companies to relocate their employees here would be beneficial to the city in the long run. REAP also helps efforts to promote the city as business friendly. Finally, opponents might argue that REAP benefits help businesses already in the city remain here by reducing the cost of relocating to less expensive areas.

## Surcharge on Gas-Inefficient Personal Vehicles

Revenue: \$22 million annually

Despite having the most extensive public transportation system in the United States and a commitment to addressing environmental issues, New York City fails to meet federal air quality standards and much of the city's air pollution is attributable to vehicle exhaust. In this option, the city could enact a surcharge on gas-inefficient personal vehicles, such as sports cars, sport utility vehicles and pickup trucks, as a mechanism to discourage the ownership of high-polluting vehicles. There are nearly 2 million private, noncommercial cars and trucks registered in New York City, of which roughly half are either sport utility vehicles or pickup trucks.

While it is difficult to quantify the total cost of externalities associated with car pollution, the city could place a vehicle registration surcharge scaled to reflect the carbon emissions of gasoline above a certain mile-per-gallon threshold. This is similar to the 1978 federal gas guzzler tax, which applies an additional surcharge to gas-inefficient cars at the point of purchase, although the federal tax only applies to cars and not other motor vehicles such as trucks or sport utility vehicles. At the current Environmental Protection Administration-recognized social cost of carbon of \$42 per ton, the additional cost to register a large vehicle would average \$21 a year. This surcharge, collected by the state on behalf of the city similar to how the motor vehicle use tax is administered would produce additional revenue of \$22.4 million per year. The surcharge would require approval by the State Legislature.

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**Proponents might argue** that this surcharge has substantial environmental benefits while only raising costs for those who choose to buy particularly large gas inefficient vehicles. They would argue that this surcharge is an attempt to recoup some of the social costs of pollution that are currently borne by the general public. In addition, large or sporty vehicles are generally more expensive than the average car and therefore the surcharge targets those who can best afford to pay.

**Opponents might argue** that some city residents may have a critical need to own a particular type of vehicle that may be gas-inefficient, and that this surcharge would unfairly target them. They might also argue that the surcharge is for owning the vehicle but not tied to how far the vehicle is driven or how much exhaust it emits. Opponents might also note that this option would increase the incentive to register the car out of state—an issue with which the city already struggles. Additionally, considering that larger vehicles already sell at a premium and their popularity only seems to increase, the surcharge may have little impact on behavior, undermining any potential environmental benefits.

## Reduce Assessment of School Buildings to One-Half of All Buildings Every Year

Savings: \$7 million annually

Every year, the School Construction Authority conducts a comprehensive set of building inspections for each school building owned and operated by the Department of Education. The inspections, called the Building Condition Assessment Survey (BCAS), are critical to identifying deficiencies in school buildings in three domains: architectural, electrical, and mechanical. Therefore, inspections are conducted by teams that include an architect, an electrical engineer, and a mechanical engineer, who rate components on a scale from 1 to 5, with “1” denoting the best condition and “5” denoting the worst.

The School Construction Authority contracts the work to one or more private companies each year. For the last school year, 2018-2019, Parsons Brinckerhoff and Amman & Whitney were jointly awarded the contract to inspect each of the more than 1,300 school buildings owned by the Department of Education for a total cost of \$16.4 million. On average, teams survey one school building per day. Over the past five years (fiscal years 2015 through 2019), Building Condition Surveys cost the School Construction Authority an average of \$14 million a year.

The New York State Education Department requires that building conditions be surveyed once every five years. If, rather than survey all school buildings each year, the School Construction Authority instead surveyed half of all school buildings, the city could save about \$7 million annually. This option assumes that the cost of the contract could be halved if the number of buildings surveyed was similarly halved.

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**Proponents might argue** that this would be a good way to cut back on the amount of money spent on contracts and at the same time reduce the disruption to schools when inspections are underway. Biennial inspections would not only exceed the state’s inspection standard but also exceed requirements under the city’s Local Law 11, which requires buildings taller than six stories have their exteriors inspected every five years.

**Opponents might argue** that about 80 percent of the city’s school buildings were built in 1970 or earlier and frequent inspections are necessary to properly identify deficiencies that need to be addressed. They might also point out that in seeking to balance the risk of allowing potentially dangerous conditions to develop against the cost of more frequent inspections, the city’s first priority should be student safety.

## Resumption of State Reimbursement for the Cost of Temporarily Housing Alleged Technical Parole Violators in City Jails

Savings: \$190 million annually

About 8 percent of individuals incarcerated in city jails on an average day last year were alleged technical parole violators. These individuals, an average of 666 a day in fiscal year 2019, had previously been released on parole from state prison but subsequently ordered detained in the city jail system for alleged noncriminal violations of their state-imposed parole conditions, such as by being late for curfew or testing positive for drugs. Technical parole violators spend an average of about 60 days in the city's jails while state officials determine whether to revoke parole, in which case the individual is sent back to state prison.

Under this option, New York State would resume providing reimbursement to the city for the cost of temporarily housing alleged technical parole violators in city jails, which was the practice until about 10 years ago. The average cost to the city of holding a person in custody in the city jail system is currently \$789 per day. Full reimbursement of the cost of jailing alleged parole violators in city jails during state parole revocation proceedings could generate annual savings for the city of roughly \$190 million depending on the number housed in future years.

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**Proponents might argue** that state reimbursement is warranted given that alleged parole violators are essentially state inmates who had previously been sentenced to time in state prison and then released by state officials. Requiring localities to bear the cost of housing these individuals while the state determines whether to revoke parole is burdensome and unjust. They might also argue that shifting costs to the state could incentivize state officials to institute needed reforms, such as ending mandatory jail time for technical parole violations and speeding up parole violation hearings so individuals do not spend weeks or months in a local jail before state officials decide whether to return them to state prison.

**Opponents might argue** that because local public safety is enhanced when individuals alleged to have not fully complied with parole conditions are at least temporarily incarcerated, it is not unreasonable to look to localities to shoulder the cost of incarceration. They might also argue that shifting to localities the full cost of temporarily incarcerating alleged technical parole violators is justified given the state's responsibility for bearing the cost of incarcerating individuals sentenced to multiyear prison terms from jurisdictions across the state.