



Old Astoria Neighborhood Association (OANA)
www.OANA-NY.org

City of Yes Needs a Tax Cap for New Construction

New York City says it wants homeowners to help solve the housing crisis. Through City of Yes for Housing Opportunity, the city is encouraging small property owners to add apartments, build accessory dwelling units, and allow modest housing growth in existing neighborhoods.

That is the right goal. But there is still a serious problem in how the city taxes small buildings that add new housing.

Right now, the city offers assessment caps that limit how fast taxes can rise because of market changes. For smaller Class 2 buildings (the 4-10 unit walk-ups many of us live in), those caps generally limit assessed value increases to 8 percent per year and 30 percent over five years. On paper, that sounds like real protection. But it is not the protection many small owners think it is.

The reason is simple. Those caps apply to changes in market value over time. They do not work the same way for the value created by physical changes, such as adding a legal new unit. When a building adds an apartment or other new space, the value from that physical change can be brought onto the tax roll all at once instead of being phased in gradually.

That matters because City of Yes is built around physical change. Basement apartments, backyard cottages, and small additions are not abstract zoning concepts. They are concrete projects that require plans, permits, contractors, and money. If the city wants homeowners to create those units, it should not treat the new value they create as an immediate tax shock.

Anyone who has spent time around zoning and building permits has seen a version of this already. Owners, architects, and expeditors often try to structure work so it is treated as an "alteration" rather than something that looks more like a new building. People assume that is just paperwork strategy. But the way the tax system treats physical additions is part of the story. When the rules punish new space more harshly than ordinary market growth, people respond accordingly.



Old Astoria Neighborhood Association (OANA)
www.OANA-NY.org

This is a basic policy contradiction. On one hand, City Hall is telling owners to add housing wherever possible, especially in established neighborhoods that have not seen much new construction in decades. On the other hand, the tax system still tells those same owners to fear the consequences of adding a unit, because the new construction can trigger a large, immediate jump in assessed value.

New York City has approximately 75,000 three-family buildings, according to the city's own PLUTO land use database. Every one of those owners is a Class 1 taxpayer today. Under City of Yes, each is now being encouraged to add a fourth unit — and every one who does so will cross into Class 2, where the tax rules change fundamentally.

The best long-term fix would be broader property tax reform. New York City should treat one- to five-family residential buildings as part of a unified small-home class and reserve the current Class 2 treatment for larger properties. That would better reflect how small buildings actually function and remove the artificial tax cliff that now discourages modest expansion.

But even if the city is not ready to make that larger change, there is a practical step it can take now that is directly tied to City of Yes.

The city should apply transitional relief to the new assessed value created by City of Yes projects on small residential buildings. In plain language, that means the added value from a legal new unit should phase in over time, instead of hitting the tax bill all at once. If a homeowner adds one apartment, the tax increase tied to that new construction should be subject to the same kind of cap that already applies to market appreciation.

This is not a giveaway. It is not a loophole. It is a way to align the tax code with the housing policy the city has already adopted. City of Yes is supposed to unlock housing in the places we already have: above stores, behind small homes, and in underused spaces across the five boroughs. If the city treats every new legal unit on a small property as a taxable event with an immediate, uncapped reassessment, many owners will decide it is safer to do nothing.



Old Astoria Neighborhood Association (OANA)
www.OANA-NY.org

New York cannot claim to support incremental housing growth while keeping a tax structure that punishes incremental housing growth. If City of Yes is meant to work at the small-property level, then the property tax code has to recognize that reality.

A homeowner who adds one legal apartment is doing exactly what the city says it wants. The city should not reward that choice with a sudden tax spike. It should phase in the impact and give small property owners a fair chance to make these projects work.

Sources

1. [NYC Mayor's Office / NYC City Council](https://www.nyc.gov/mayors-office/news/2024/12/mayor-adams-governor-hochul-speaker-adams-celebrates-passage-most-pro-housing-proposal-in), "City of Yes for Housing Opportunity — Passage and Overview" (Dec. 5, 2024). URL: <https://www.nyc.gov/mayors-office/news/2024/12/mayor-adams-governor-hochul-speaker-adams-celebrates-passage-most-pro-housing-proposal-in>
2. [AECOM](https://aecom.com/blog/city-of-yes-unlocking-new-york-citys-housing-potential/), "City of Yes: Unlocking New York City's Housing Potential" (May 2025). URL: <https://aecom.com/blog/city-of-yes-unlocking-new-york-citys-housing-potential/>
3. [NYC Department of Finance](https://www.nyc.gov/site/finance/property/property-determining-your-assessed-value.page), "Determining Your Assessed Value" — explains the 8%/year and 30%/five-year caps for Class 2A, 2B, 2C properties and the 6%/20% caps for Class 1. URL: <https://www.nyc.gov/site/finance/property/property-determining-your-assessed-value.page>
4. [NYC Advisory Commission on Property Tax Reform](https://www.nyc.gov/assets/propertytaxreform/downloads/pdf/NYC-AdvCommission-Prelim.pdf), "Preliminary Report" (Jan. 31, 2020) — discusses Class 1 and small Class 2 assessment caps and recommends moving 1-3 family homes, small rentals, and co-ops/condos into a unified residential class. URL: <https://www.nyc.gov/assets/propertytaxreform/downloads/pdf/NYC-AdvCommission-Prelim.pdf>
5. [NYC Department of Finance](https://www.nyc.gov/assets/finance/downloads/pdf/brochures/class_1_guide.pdf), "Class 1 Property Tax Guide" — states explicitly that new construction and physical changes to property are NOT subject to the annual or five-year assessment caps. URL: https://www.nyc.gov/assets/finance/downloads/pdf/brochures/class_1_guide.pdf
6. [NYC Department of Buildings](https://www.nyc.gov/site/buildings/dob/project-categories-alterations.page), "Project Categories: Alterations" — explains how alteration categories relate to changes in building configuration, use, and certificate of occupancy. URL: <https://www.nyc.gov/site/buildings/dob/project-categories-alterations.page>
7. [NYC Advisory Commission on Property Tax Reform](https://www.nyc.gov/assets/propertytaxreform/downloads/pdf/NYC-AdvCommission-Prelim.pdf), "Preliminary Report" (Jan. 31, 2020) — Recommendation 1: move coops, condos, and rental buildings up to 10 units into a new residential class with 1-3 family homes, valued uniformly at sales-based market

Old Astoria Neighborhood Association | 2538 18th St, #1 Astoria NY 11102
Phone: 347.730.6137 | Email: Info@OANA-NY.org | Facebook.com/OANA.NewYork
Old Astoria Neighborhood Association is a not-for-profit 501-c3



Old Astoria Neighborhood Association (OANA)
www.OANA-NY.org

value. URL: <https://www.nyc.gov/assets/propertytaxreform/downloads/pdf/NYC-AdvCommission-Prelim.pdf>

8. [NYC Comptroller](#), "Property Tax Reform" — proposal to treat small residential properties equally, including 1–3 family homes, condos, coops, and 4–10 unit rental buildings in one class. URL: <https://comptroller.nyc.gov/propertytaxreform/>
9. [NYC Department of City Planning](#), "City of Yes for Housing Opportunity — Final Plan" (Dec. 5, 2024) — plain-language explanation of ADUs, backyard cottages, transit-oriented development, and small infill housing. URL: https://www.nyc.gov/assets/planning/download/pdf/plans-studies/city-of-yes/housing-opportunity/city-of-yes-for-housing-opportunity_final-plan.pdf
10. [NYC Department of City Planning](#), Primary Land Use Tax Lot Output (PLUTO) database — building class counts showing approximately 75,000 three-family residential structures citywide (C0: 71,625 walk-up three-families; S3: 3,027 primarily three-family with store). URL: <https://data.cityofnewyork.us/City-Government/Primary-Land-Use-Tax-Lot-Output-PLUTO-/64uk-42ks>