



GREATER NEW YORK

Up a Treehouse

Ralph Gardner Jr. communes with nature | A14



Yes, Geno Smith Really Has Fans
SPORTS | A18

WSJ.com/NY

THE WALL STREET JOURNAL

Thursday, July 30, 2015 | A13

July 30, 2015



JOHN TAGGART FOR THE WALL STREET JOURNAL

Construction workers at 535 Fourth Ave. in Park Slope, Brooklyn, where a tower with rental apartments and retail space is going up. The building permit was approved June 1.

Construction Goes Through The Roof

New residential permits surge as developers rush to qualify for tax break; 'a lot of digging going on'

By JOSH BARBANEL

New York City is entering what could be the biggest building boom in a generation, census figures show, as work gets under way on hundreds of residential projects in neighborhoods across the city.

In the first six months of the year, developers received new residential building permits for

42,088 apartments and houses in the city, according to the U.S. Census Bureau, already more than in any full year since 1963, when nearly 50,000 permits were issued.

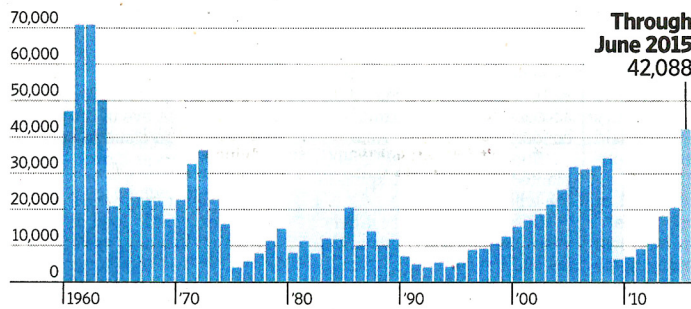
The surge in permits this year followed a rush by developers to start foundation work on many residential projects by June 15, in time to qualify for a valuable property-tax abatement that was scheduled to expire.

"There is a lot of digging going on," said David Schwartz, a co-founder and principal of Slate Property Group, who helped shepherd six apartment projects through the permit pro-

Building Momentum

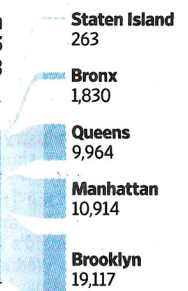
With Brooklyn projects leading the way, New York City has issued more residential building permits so far this year than in any full year since 1963.

New York City residential building permits



Sources: U.S. Census Bureau; NYC Rent Guidelines Board

Borough breakdown



THE WALL STREET JOURNAL

cess in late May and early June to meet the tax-abatement deadline.

In September, Mr. Schwartz filed an application for a permit for one building, a 12-story rental tower with 148 apartments and ground-floor retail space at 535 Fourth Ave. in Brooklyn's Park Slope neighborhood, but it wasn't finally ap-

proved until June 1. It is now a roaring construction site.

The strength of the surge surprised many housing analysts, who suggested that it reflected deeper currents in the local economy and housing market.

"This is an astounding figure, so far ahead of anything the city has experienced in 50 years," said Richard T. Anderson, presi-

dent of the New York Building Congress, a construction industry group. "We are heading into the stratosphere."

Mr. Anderson said the permit wave had "all kinds of implications for the city going forward" and would likely lead to a surge in construction spending this year from the \$36 billion spent

Please see PERMITS page A16



A rendering of 535 Fourth Ave., a residential building with ground-floor retail that Slate Property Group has begun to construct in Brooklyn's Park Slope neighborhood.

PERMITS

Continued from page A13
in 2014, which was a 26% increase from the year before.

In June, the city issued 17,804 permits, the census bureau reported, more than the average annual total over the last few decades. Nearly half the permits went to Brooklyn projects, with most of the rest divided equally between Manhattan and Queens.

Michael Slattery, senior vice president of the Real Estate Board of New York, an industry group, called the increase "astounding." He attributed most of the surge to the scheduled expiration of the 421-a tax abatement program.

The abatement "is an integral part of housing production in New York," Mr. Slattery said. "When you change a fundamental component, people are going to respond to that anticipated change."

Wiley Norvell, a spokesman for Mayor Bill de Blasio, said the expiration of the tax abatement usually produces only "a modest bump" and other factors may be in play as well.

"Regardless, this is a city that

needs more housing—especially affordable housing—and we are pleased to see so much building under way," he said.

To be sure, a building permit doesn't necessarily translate into a completed building, and whether the first half of 2015 is a blip or a trend won't be known for months or years to come.

Under the tax-abatement program, developers were required to get full permits and begin at least some construction by June 15, but they have until 2019 to complete construction to qualify for the abatement.

A cautionary lesson can be drawn from events in 2008. In June of that year, when permits also surged, benefits of an earlier version of the 421-a tax abatement were expiring. Developers rushed to begin construction, even before obtaining financing. When the financial crisis hit that fall, many projects simply stopped.

"The sense of urgency that led to the spike in new building permits in 2008 did not necessarily result in a corresponding spike in building completions," warned Mark Willis, executive director of the NYU Furman Center.

Steven G. Kliegerman, presi-

dent of Halstead Property Development Marketing, said much of the latest wave of development has been for new rental buildings in parts of Brooklyn and Queens, in places that hadn't seen private development in recent years.

"We've been very busy in the first half of the year with new clients and new opportunities, but you've had years and years of below-average building," he said. "Things are catching up."

The 421-a program was extended at least until the end of the year. A modified program, requiring most participating buildings across the city to provide affordable housing, is to take effect in January. It is contingent on the real-estate industry and the construction unions agreeing on how to set construction wages for the projects.

On June 4, Mr. Schwartz won approval for another new rental building, a 19-story tower with 126 apartments in Fort Greene, Brooklyn. He had filed the application in October.

"Everybody was under the same deadline pressure," he said. "Every single person you needed to get a project done had 10 other people who needed the same thing."