

Real estate industry offers mixed reaction to Mayor Zohran Mamdani's budget proposal

All eyes are on second-home tax, affordable housing funding, initiatives for cleaner New York City



New York City Mayor Zohran Mamdani expects an additional \$500 million in revenue added to his 2027 budget from a tax on second homes. (Getty Images)

Key takeaways

- New York City Mayor Zohran Mamdani introduced his \$124.7 billion budget for fiscal 2027 on Tuesday.
- The spending plan includes revenue from a "pied-à-terre tax" that is still working its way through the state Legislature.

- The budget also includes more funding for affordable housing, which real estate officials say will help increase inventory citywide.

Zohran Mamdani introduced his first budget proposal as New York City mayor this week, but the residential real estate industry offered a mixed assessment of the \$124.7 billion proposal.

On one hand, the budget would pour \$4 billion more into constructing affordable housing, which local real estate agents said could ease prices overall.

On the other hand, the budget factors in \$500 million in revenue from a "pied-à-terre tax" — an initiative the state hasn't approved yet and that has raised concerns in the industry.

"The mayor's executive budget appears to rely on a combination of limited cost savings, one-time fixes and a proposed tax increase that could ultimately generate less revenue for the city, the

state and the MTA," James Whelan, president of the Real Estate Board of New York, said in a statement to Homes.com News.

"Rather than taking a hard look at current spending and making sure New Yorkers are getting value for their tax dollars, this budget puts the city on a path toward broader and more costly tax hikes next year. The result will weaken the city's fiscal outlook and risk driving away jobs, investment and families at a time when New York City can least afford it."

Weeks after Gov. Kathy Hochul introduced the second-homes tax, New York City Comptroller Mark Levine said the revenue projections might be lower because property owners would rent out or live in their second homes for a longer stretch of the year.

Key provisions target luxury owners and housing supply gaps

Mamdani's budget contains several items aimed at bolstering the housing market and improving the quality of life in the city, including:

- A new revenue stream of \$500 million for a tax on second homes rather than a citywide 9.5% property tax hike.
- An additional \$4 billion over the next five years to the Department of Housing Preservation and Development so the agency can fund the construction or preservation of affordable housing units. His budget doesn't detail how many additional housing units the funding could generate.
- An allocation of \$14.8 million for placing large waste containers in some neighborhoods so residents can drop their trash off before weekly pickup. Plans call for expanding the service by 2030 at a cost of \$162.2 million.

- An additional \$500 million in 2028 to complete renovations at New York City Housing Authority-managed properties.
- An allocation of \$256 million from fiscal 2026 to fiscal 2028 for rehabilitating vacant NYCHA units and placing them back on the market.

The Mamdani budget lands as New York's real estate scene has been itching for more details about a proposed tax on second homes. Last month, [Hochul proposed the pied-à-terre tax](#) on properties worth \$5 million or more, a measure aimed at helping Mamdani balance the city's budget while also imposing a higher tax on wealthy individuals who don't physically live in the boroughs. Officials are still debating that threshold, and state lawmakers have not officially approved Hochul's new tax, but Mamdani has included the revenue in his spending strategy.

During a press conference on Tuesday, Sherif Soliman, director of the Mayor's Office of Management and Budget, said Mamdani is confident the tax will be approved, and the new funding will be available.

"We have a commitment with the state to be able to have a revenue target of the \$500 million," Soliman said. "These are still active discussions that we're having with our partners in the state, and we will have a final product soon that does generate the \$500 million per year."

To be sure, Mamdani's first budget could look different by the time it passes. City Council members must approve the plan before dollars change hands, but in a joint [statement](#) Tuesday, Council Speaker Julie Menin and Linda Lee, who chairs the council's Finance Committee, said they appreciate that Mamdani's office has crafted the budget from "an approach championed by the Council that identifies savings and avoids raising property taxes or raiding reserves."

To be sure, his budget does not call for raising taxes, but the city would receive revenue from the pied-à-terre tax imposed by the state if the legislature approves it.

Industry reacts to initiatives

[Jacob Wood](#), a broker at Coldwell Banker Warburg, said two measures in the Mamdani budget deserve further attention.

"The investment in waste containerization should raise the quality of life throughout the city, shoring up the market," Wood said. "The extent to which the budget's investment in affordable housing lowers rent would unquestionably be good for the city and good for the market, although that construction is slow."

While affordability is a primary concern, the city's real estate industry has been paying rapt attention to all discussions of the pied-à-terre tax.

"The concern lies more in the cumulative message being sent to high earners, business owners, investors and property owners who contribute significantly to the city's tax base and economic activity," Douglas Elliman agent [Frances Katzen](#) said. "Right now, there is a growing perception that the city continues treating capital as an adversary while still depending on it to survive."

Real estate agents have cautioned that implementing a second-home tax [could stifle housing development and hurt buyers](#) and sellers negotiating prices.

If passed, the truly deep-pocketed homebuyers will still purchase luxury properties and begrudgingly pay the tax, they said.

"Of course, none of us like higher taxes, and as a real estate professional, I worry that higher taxes may affect prices," [Ellen Sykes](#), an agent at Coldwell Banker Warburg, said. "But New York is a great city to live in, and I think a tax on pieds-à-terre is the way to go if there has to be a tax."