

ECONOMY

# Taxing New Homeowners to Preserve Local Character? New Paltz Will Try It

A real estate transfer tax targeting wealthy new arrivals takes effect during the unprecedented migration of New York City residents to the region.



**Roger Hannigan Gilson** 3:00 PM EST on Mar 4, 2021



**Credit:** Daniel Case/Wikimedia Commons

Revenue from New Paltz's real estate transfer tax goes into a community preservation fund to be used for purchasing land easements.

**Credibility:** Original Reporting On the Ground Sources Cited



ast November, New Paltz residents voted by a huge margin to institute a new tax on their community. But most voters will likely never have pay a dime.

**L** As property values rise across the Hudson Valley, there is growing fear among locals that private landowners will sell to developers, robbing bucolic towns of some of their unique charm. In response, New Paltz adopted a real estate transfer tax, which requires homebuyers to pay an additional 1.5 percent on the portion of the sale exceeding the average property value in Ulster County. That revenue goes into a community preservation fund to be used for purchasing land easements to preserve the character of the community.

People move to New Paltz for its open space, whether it's the web of hiking trails winding through the community or the agricultural land that supports farmer's markets, farm-to-table cuisine, and views of the Shawangunks from Main Street. Given the demographic trends in the region, the tax will mostly be paid by wealthy new arrivals.

New Paltz Town Supervisor Neil Bettez says he pitched the tax to voters as a kind of insurance for new homeowners, ensuring the reasons they moved here do not vanish.

"The people moving here are buying into the community," Bettez says. "...[The tax] is so it stays that way, and doesn't turn into sprawl city."

## Protecting Community Character

Half of New Paltz's 14,000 residents are sandwiched into two square miles in the village, centered around Main Street. Stand on the street and look westward toward the Shawangunk Ridge, and you will see the densely built environment of student housing and hippie shops halt at the Wallkill River, with nothing but fields and farmland stretching beyond.

New Paltz is the first community in the Hudson Valley to take advantage of the 2007 Hudson Valley Community Preservation Act (HVCPA). The act allows municipalities in Westchester, Putnam, and Dutchess counties to institute property tax transfers of up to 2 percent to fill community preservation funds. The tax has to be approved by municipal referendum. A 2019 bill sponsored by then-Senator Jen Metzger and Assemblyman Kevin Cahill extended the option to communities in Ulster County.



New Paltz officials had worked with state legislators on the 2019 bill, giving the community a head start on the lengthy adoption process once it was passed in Albany. The town created a Community Preservation Advisory Board, which took existing land designations in the town—agricultural districts, Department of Environmental Conservation wetlands, Hudson Valley Significant Biodiversity Areas—and overlaid them. After surveying town residents about what they would like to see preserved, the board ranked the thousands of parcels in New Paltz according to preservation priority, creating New Paltz’s Community Preservation Plan.

They met opposition along the way.

A PAC calling itself “Keep New Paltz Affordable” began trying to convince residents to vote against the referendum. The group spent nearly \$150,000 on radio ads, mailers, and Facebook advertising, according to Bettez. And it was backed by powerful interests: According to tax records, Keep New Paltz Affordable shares the same address in Albany as the New York State Association of Realtors (NYSAR), the trade organization representing New York real estate professionals.

NYSAR states under the “legislative priorities” page on its website that it “strongly opposes real estate transfer taxes at all levels of government,” and though it “respects communities wishing to preserve open space, neighborhoods and historic buildings... funding for such initiatives should not rely on raising taxes, nor should it be at the sole expense of homebuyers in the form of a real estate transfer tax.”

NYSAR did not respond to multiple requests for details about its position and the campaign.

Bettez says the organization “overdid it,” and its efforts had the opposite intended effect. Some of the fliers appeared to use stock photos that were clearly not taken in New Paltz. “We have a lot of pretty well-educated people in New Paltz and at some point, people were like, ‘What is going on here?’”

## Protecting Farmland

The HVCPA is written so that its proceeds can be used for a variety of public easements, including for municipal parks, wildlife areas, waterways, and even



preserving historical buildings. But New Paltz's priority was its farms.

Total agricultural acreage in Ulster County has been declining for years, says Christian Malsatzki, who leads agriculture programs for the [Cornell Cooperative Extension of Ulster County](#). At the same time, the number of farmers and the number of farms has been increasing.

"There are very few large acreage farms—like 1,000-plus acres—in Ulster County, but where you're seeing the uptick in increased farmers is in farms of 50 acres and under," Malsatzki says.

As a result, farmers have been forced to adapt to a smaller-scale economic model, including diversifying crops in order to sell CSAs—essentially a share of the farm's products purchased by an individual at the beginning of the season and picked up on a weekly basis—and selling at farmers' markets and to restaurants. But that approach has drawbacks.

"Five years ago, [the market] sort of got saturated in this area with CSAs, which then drives down costs," Malsatzki says. Some new farms tried to sell exclusively in the larger New York City market, but that often did not work out because of the time and money required for transportation and distribution.

The glut of CSAs has since thinned out, but there's another trend affecting farmers that has continued unabated: rising property values. The median home price in Ulster County rose 9.8 percent between 2018 and 2019, [according to the Ulster County Board of Realtors](#). Malsatzki says higher property values make it harder to start a farm, especially one that expects to be profitable. Local farmers could also decide to sell their land to deep-pocketed developers, either upon retirement or just to cash out.

The New Paltz Assessor's Office refused to answer any questions on the issue, including about whether the price of farmland has risen in recent years. But in a hot market, the assessed value of land can vary widely from final sales price, as interested parties offer to buy land far above its assessment.

The transfer tax represents a new funding stream to preserve land, something New Paltz has been doing for years. In 2007, voters approved a \$2 million bond to purchase easements on open space and farms, but the town went through half of that in 12



years, and it proved difficult to raise taxes to repay the bond. Money raised through the transfer tax will take the place of the bond monies.

## The Transfer Tax in Other Communities

Two Hudson Valley communities had approved property transfer taxes to bankroll community funds before the HVCPA was passed. Both required approval from the state legislature and a town referendum, and both were passed mostly to protect farms.

In Warwick, “farmland in the 90s was being eaten up for development,” says Town Supervisor Michael Sweeton. To address the issue, the town put forward a referendum to secure a \$9.5 million bond for farmland preservation, paid for with taxpayer money.

“Once we got that program off the ground, in 2002, it quickly became very popular, and it was clear we were going to run out of money before the supply of farms that were interested [in buying] would be met,” Sweeton says. “And that’s when we started looking around for alternatives.”

A transfer tax of 0.75 percent was approved by voters in November of 2006. Like in New Paltz, it only applies to the portion of a property sale above the median home value in the surrounding county.

There was some local opposition from realtors, Sweeton says, who argued that it would burden homebuyers and slow the real estate market. But that didn’t convince voters.

“Nobody likes to spend money,” Sweeton says. “But I’ve had subsequent conversations with people who bought property in Warwick who say they understand why that tax exists.”

Warwick has purchased 21 farms totaling 1,900 acres for \$24 million, according to Sweeton. Only \$11 million was raised by the transfer tax; the rest of the money came from matching state and federal funding. Sweeton argues that tangible results are one of the tax’s selling points: The money goes directly back into the community, and you can point to the farm it preserved, right down the road.

The state bill that enabled Warwick’s tax sunsets after 20 years, and the town has until 2026 to pass a new bill pursuant to the HVCPA. The town tried to get a new bill passed





this year, but the request was held up in committee.

Though a tax-fed community preservation fund seems like natural anathema to Republicans, the idea appears to carry a decent amount of bipartisan support: Governor George Pataki, a Republican, signed the state law that enabled Warwick's existing community fund, and Sweeton is also a member of the GOP. And Republican Senator Michael Martucci, who defeated Metzger last November, said through a spokesman that he would have gladly voted to extend the HVCPA to Ulster County had he been in office at the time. Martucci also sponsors a bill that would extend Warwick's transfer tax to 2050.

Red Hook established a community fund in 2007, before the passage of the HVCPA, for land easements, which, like New Paltz and Warwick, were originally funded by a bond paid for by property taxes. Red Hook has since raised more than \$3 million to preserve land, but hasn't spent the majority of it, since the town was able to leverage the tax revenues with funding from land trusts, and the county, state, and federal government, according to Red Hook Supervisor Robert McKeon.

As well as easements on farms, money from the community preservation fund was used to secure a façade easement on St. Sylvia's church, which was then transferred to a nonprofit and serves as a community center, McKeon says.

"We saw it as an additional tool in our toolkit to accomplish these shared goals of preserving the quality of life in our community, meaning [a goal] shared by existing residents and also people that were moving into our community for the town's qualities."

## Looking Forward

Scenic Hudson Director of Governmental Policy and Public Policy Andy Bicking, whose organization helped pass the 2019 HVCPA expansion to Ulster County, says he is "very concerned" about what the rush of new residents would do to open space in the Hudson Valley. Municipalities with open space plans will be better positioned to ward off the worst effects of development on the landscape, he says. "They will be able to guide development where they most want to see it occur, and they will be able to protect their resources."



Though the New Paltz law was being developed before the pandemic, it took on new urgency once downstaters began relocating. A [fact sheet](#) about the tax was updated last summer to note that the region “has seen an explosion of commerce, culture, investment and relocation” in the past 10 years, and that the pandemic has caused “an upswing in recent month as people seek to relocate from New York City due to COVID-19.”

Increasing home sales and higher prices in New Paltz bode well for the community preservation fund—the town’s Community Preservation Fund Advisory Board estimated the [tax would raise about \\$180,000 annually](#). If the tax had been in place in 2020, when the median property value in Ulster County was \$245,000, it would have raised about \$371,000, according to calculations from county property sales data.

But the success of New Paltz’s community preservation fund will ultimately hinge on one question: will retiring farmers be swayed by the offer from the town to purchase easements to preserve their farms for others?

“They can do whatever they want,” Town Supervisor Bettez admits, though he thinks those who have tilled their entire lives would like to see their farms continue beyond their retirement. To incentivize farmers to sell to the fund, New Paltz allows them to sell development rights before they retire, and roll the money back into their operation.

Though Bettez says he hopes other communities in Ulster County adopt the law, it’s a hard slog—in New Paltz, it took two state laws, a county resolution, three municipal laws, and a successful referendum to enact the town’s tax. An attempt to add Orange County to the HVCPA in 2019 died in committee, and a state bill to allow the town of Chester to set up a transfer tax and community preservation fund was [vetoed by Governor Andrew Cuomo](#) after state Attorney General Letitia James [intervened in a lawsuit](#) by a Chester developer alleging the fund was being set up to keep Hasidic Jews out of town.

There are some nibbles of interest, though. Woodstock Supervisor Bill McKenna says he is interested in instituting a transfer tax under the law, but only if it could be used towards affordable housing—Woodstock doesn’t have many farms and is already rich with open space.



Bettez says New Paltz's current residents have already invested in open space: their taxes funded its preservation before the new tax was passed. The property transfer tax just ensures that new residents will also invest in the community, helping it keep the qualities that drew them in the first place.



### **Roger Hannigan Gilson**

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