



Where is the relief for the landlords of New York City's five boroughs? - by Peter Blond

October 20, 2020 - New York City

Peter Blond

Brandt,

Steinberg, Lewis & Blond LLP

Countless frantic property owners continue to call and email me, sounding the alarm months after the grand “re-open,” as they have no idea how they will pay the second half real estate taxes due in January. Numerous property owners receiving no rental income since March are asking me how they are supposed to pay their taxes, let alone timely. Some only managed to pay the first half taxes by borrowing, as opposed to exposing themselves to the city’s 18% interest rate. Many are sadly scrambling to sell, but like thousands of New York City residential apartment owners, they may be stuck holding the property unless they are willing to sell at a steep discount.

Days, weeks and months continue to fly by while the mayor and City Council while away the hours rather than address that ever growing elephant in the room, real estate taxes. Governmental moratoriums on evictions continually get extended. Proclamations advising distressed tenants to skip the rent are profusely disseminated by elected officials. Alas, where is the relief for the battered landlords of New York City’s five boroughs?

When property owners fail to pay their real estate tax tab—even after it no longer bears any relation to reality—the city will eventually sell a lien. When the struggling owner continues non-payment, eventually the lien holder will take the property. That anticipated cycle has caused some clients to opine that the mayor and City Council—that targeted landlords long before COVID’s arrival—may see a way to further their personal initiatives through a “forest fire” of sorts.

I know, it sounds a tad far-fetched, but where is the economic assistance for thousands of financially devastated landlords? Unless your definition of economic assistance is the 18% interest rate confirmed by the City Council in July, the cupboard is pretty bare. Apparently, the mayor and City Council still believe each landlord has bottomless pockets and will continue to pay the taxes while they receive diminished to no income. Targeted lockdowns by zip code have already commenced making it possible that a full scale city-wide lockdown will happen a second time later this fall or

winter. Needless to say, another city-wide lockdown would annihilate the remaining non-essential businesses and leave the majority of landlords in a position where the City of New York will necessarily become their personal loan shark.

Making matters worse, the city's fiscal abyss will likely necessitate increases to the city-wide tax rate for all property types. When any municipality sees precipitous declines in revenue from income, sales, transfer, mortgage and other tax bases, they always turn to increased real estate tax revenue. A real estate tax bill is the product of two multiplied figures, assessed value and tax rate. It is hard to envision the New York City assessor raising assessed values as of January 5th, 2021 considering the current economics involved. If 2021/22 assessments stagnate or decline, tax rates will have to be raised significantly to address the current and anticipated fiscal shortfall being continuously fueled by the pandemic.

Too many property owners worried about their current fiscal plight assume with values down their tax bills will at least decline in tandem. Unfortunately, in this instance, assumption is the mother of all unexpectedly large tax bills. With history as a guide, mayor Bloomberg came into office in 2002 following the fiscal fallout of the dot.com bust and 9/11 terror attacks. To bolster the city's finances, Bloomberg raised tax rates by nearly 20% across the board. How will current city landlords respond to a significant tax increase at a time they are receiving little to no rent? Perhaps back in 2002 Bloomberg posited that landlords had little choice. But in 2002 landlords city-wide were generally receiving rent and were not facing the threat of further destructive lockdowns and/or social unrest.

Hopefully, I will be proven wrong, but any property owners anticipating an automatic decrease in their upcoming property tax liabilities need to shift to a more proactive and pragmatic approach. Regardless of tax rates, any property experiencing diminished rental income and/or vacancies has a substantially improved basis with which to seek a reduction in assessed value. In my opinion, every property in tax classes two and four, in the five boroughs, should be preparing to file a 2021/22 real estate tax assessment protest between late January and March 1st, 2021. Be certain to provide your tax certiorari counsel an updated list of your properties before the upcoming filing period, as few properties can afford to endure their assessed value and corresponding taxes.

Peter Blond, Esq. is a partner at Brandt, Steinberg, Lewis & Blond LLP and the immediate past chair of the NYC Bar committee on condemnation & tax certiorari, New York, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540