Property taxes should be lessened in recognition of owners' risks in the COVID tax year - by Brad Cronin and Sean Cronin

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On May 19th New York eased many COVID restrictions. While a return to normal operating environment will not occur overnight, this development is unambiguously positive for the real estate industry. However, the tax bills that are coming due should not be commensurate with current market conditions. Under the law, the most recent assessments and upcoming tax bills should reflect the property's value as of the previous year, when COVID was a far more disruptive force and regulations were heightened. For owners that filed grievances, if these bills are not reduced, they

will be entitled to a refund for any overpayment.

During the height of COVID, property owners were forced to pay full taxes despite the drastic impact from sudden changes to the world. While it was refreshing to see local and statewide officials extend payment deadlines, there were no changes to the amounts paid as a result of COVID's impact on the operating environment. Now is the time when the law allows for tax bills to take into account the effect of COVID and either reduced tax bills or refunds are warranted.

The extent to which each property's taxes should be adjusted varies on a case-by-case basis. This is why it is critical that each property owner attempt to quantify how COVID affected their specific property. As previously outlined in this space, the decreased rent collections suffered by many properties are the most striking figure, but increased expenses must be examined as well.

The other component that must be taken into consideration is the amount of risk that comes with real estate investment. From the outside, when properties are operating smoothly, the structure appears simple: collect rent that corresponds to the quality and location of the building. While the concept is simple, the execution is not. Landlords encounter a host of hurdles that they must navigate in order to achieve a profit. Consider all the time, effort and resources that go into operating a strip center with multiple tenants as compared to sitting back and putting money in a bond market: it's night and day.

Adding a global pandemic and accompanying government restrictions has further complicated management, resulting in one of the most volatile risk circumstances we have seen this century. This risk factor must be applied to a property tax analysis by way of a capitalization rate that matches the uncertainty that owners experienced during that time.

For the analysis of the current assessment year, risk should be examined as of the July 1, 2020 for Suffolk County and January 4, 2021 in Nassau County. At those points in time the risk for investment was enormous and for good reason. Forget value appreciating, owners were focused on how the property could endure the pandemic and if it would even remain a viable investment. For this reason, real estate taxes for the COVID tax year need to be adjusted.

Owners, tenants, and businesses all shared in the economic pain caused in the COVID tax year. Now it is the municipality's turn to assist these properties. This tax year is like no other we have experienced and the owners of all real property should have their property tax burden adjusted to a level that takes into account one of the most unsure times in our nation's history. It certainly was not a time where commercial real estate investments were seen as opportunities. Rather, with remote work and home delivery booming, the need for commercial real estate, at least at its current volume, was questioned.

As we enter the next phase, the ongoing impacts will continue to be examined, but the impact during the COVID tax year cannot be forgotten. This year was not a blip on the radar that is now in the rear-view mirror, rather it is an event that is shifting the paradigm in nearly every property sector. That we are over a year from the start of the pandemic and still announcing restriction adjustments

speaks to the lasting impact of COVID.

Taxpayers stepped up and paid their bills as required under the law during the most trying days of the pandemic. Now the municipalities have the benefit of reviewing just how each property was impacted and accurately analyze property values as of the COVID valuation dates. If done properly this analysis will necessitate adjustments to lessen tax burdens for many properties. The result will be a reduction in taxes that will fairly recognize just how dire the circumstances were for commercial real estate in the COVID tax year.

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