



Strategies for reducing your property taxes in a troubled market - by Margo Tiffen

May 16, 2023 - Long Island



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Retail and office owners are facing numerous challenges to remain profitable. During the pandemic, office occupancy rates plummeted due to the combined rise of the gig economy and the shift to remote work. Retail businesses, especially those that support office workers, have seen steep declines in physical traffic and increased vacancy rates. This continues to have major repercussions, with mounting reports of big office landlords defaulting on their loans and others at risk of default.

The growing number of distressed office buildings is prompting banks to exercise caution, preparing for defaults instead of funding new acquisitions. At the same time, retail owners have needed to invest in advanced building technology and upgrades to stay competitive. Values are decreasing, and the market indicates this will continue to drop.

Commercial property tax valuations in NY are typically based on the income approach. However, the office and retail market downturns may be less visible when looking at income because the current rent rolls don't necessarily reflect the market. Property owners are dealing with artificially inflated lease data from leases signed years ago (pre-pandemic), loans that have been amortized based on cap rates that are no longer relevant, inflation, and rising interest rates. They might be in a scenario where they have invested in expensive build-outs to accommodate companies pre-pandemic and amortized this over 20 years – but cap rates were based on rent rates at the time, which are no longer valid. It is crucial to appeal the assessment, especially on office, retail, and other commercial real estate that the pandemic has impacted.

NYS law prohibits refiling for additional tax relief after a settlement. Given the current market, chances are high that office property values will continue declining, and you want to ensure you're not locked into a higher assessment.

At Realty Tax Challenge, we can offer strategic guidance on how to deal with this issue. We have been successful in negotiating to remove the refiling restriction from our settlements, leaving the door open for additional savings.

We can assist you in securing immediate relief by reducing the assessment but keep you from being locked in as property values drop further.

Property taxes alone can account for up to 30% of a property owner's operating expenses, and property taxes in New York are among the highest in the country. Property tax assessors will fight to keep property taxes status quo, as taxes are a crucial income source for municipalities. If commercial owners aren't paying the same property taxes they have historically, it impacts funding for local services such as police, fire, and schools. Despite values decreasing, assessors will evaluate based on data that is favorable towards higher assessments.

As an office or retail owner, it is imperative to grieve your taxes and make the case for a reduced assessment. Your building's property taxes should always be based on its real value, and you need

to ensure that the assessor is using current, accurate data to calculate this. Remaining strategic in this downturn by reducing your assessment and preserving money may be a make-or-break proposition for your property.

At Realty Tax Challenge, we specialize in assisting commercial property owners like you to lower their assessments and save money. Our expert guidance will help ensure that your property taxes are based on true value, provide you with effective strategies to navigate the current market, and keep you from being locked in at a higher assessment. Don't leave money on the table - contact us today and let us help you take control of your property taxes.

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