



**The potential for assessment increases on a scale not seen for many years is undeniably in the cards - by Peter Blond**

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Fall is in the air, but I suspect there could be a deep arctic chill in mid-January when 2024/25 New York City real estate tax assessments are released. A tax assessment storm of sorts is coming together to potentially wreak havoc on New York City's already teetering real estate market. First, there is the political element that must always be considered, especially in New York City. Earlier this fall I wrote about New York City's end around, to have Albany and governor Hochul approve 2023/24 tax rate changes beyond those legally permissible. A quick review of the outcome gives invaluable insight into mayor Adams and the city council's train of thought.

After the city council vote in June, class 4 commercial property was going to receive a substantial tax rate decrease of -6%. Imagine every commercial property owner's bill decreasing by 6% from the amount indicated on the July 2023 tax bills. Fast forward to late September and the 2023/24 tax rate was suddenly only decreasing by a half of one percent (-.5%). New York City's government ignored the "math" and handed struggling commercial property owners a 5.5% higher tax bill than they would have had without Albany and Hochul's intervention!

Bear in mind that residential property has been outperforming many classes of commercial property (e.g., office & retail). The outcome for class 2 residential property was very different, which witnessed its tax rate go from +5.5% to an increase of 1.9% instead. Quite simply, class 2 is comprised of many cooperatives and condominiums, most of which house New York City voters. Perhaps drawing a conclusion of many voters over 'one vote' property owners (many of whom are foreign and do not have a vote) is overly simplistic. Nonetheless, it obviously wasn't mathematics or real estate analysis that led to this decision by the city council.

The second element to consider in this forming tax assessment storm is that the New York City Department of Finance will be utilizing 2022 income and expense reports (along with rent rolls and storefront registry data via the RPIE) to promulgate the 2024/25 assessment roll. This is important as the assessor's office has been limited to calendar 2020 & 2021 data the last two years, that were unquestionably impacted by the pandemic. With many properties in distress during the two-year period in question, the assessors understandably had to engage in more guesswork than normal. With most properties recovering to one extent or another, other than perhaps the office sector, fundamentals will scream large assessment increase in many instances.

The third element of this Chimera is New York City's massive projected fiscal shortfall that is only being exacerbated by the migrant crisis. As everyone knows, New York City has added an incredible number of programs and agreed to large union pay hikes at a time where revenues are struggling and could degrade further if a long-anticipated recession finally materializes. Regardless of which source you read or believe, the shortfall is in the billions and the state and federal governments seem content forcing local governments to foot the bill.

When you combine the mathematics with the politics herein, the potential for assessment increases

on a scale not seen for many years is undeniably in the cards. Let's say next June that the mayor and council realize they are short billions; you can't increase the entire assessment roll after-the-fact. We have already seen the city council's hand in terms of which property class they favor after this year's tax rate switcheroo. The easiest way to guarantee a real estate tax banner crop for the city is by having the Department of Finance radically increase assessed values. The alternative would be for the city council to have to increase the rates beyond that legally permissible again next year during a Presidential voting cycle. Of course, should city finances not collapse, they could always lower tax rates as an offset for the assessment increases.

For property owners concerned that a day of assessment reckoning may be on the horizon, you should contact your tax certiorari attorney to see whether the property's 2022 performance may suggest a large increase could happen this January. For property owners still experiencing vacancy in whole or part, you should be arming your attorney with January 2024 rent rolls to evidence use and occupancy as of New York City's annual January 5th taxable status date. Bottom line, when you receive your 2024/25 assessments you should have them reviewed by someone qualified if you don't do so regularly.

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