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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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Donna Simbo(SP?)
Homeowner in Far Rockaway and a member of NYC Community for Change

Gene Sasseen(SP?)
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SERGEANT AT ARMS: This is a microphone check for the Committee on Finance located in Chambers, recorded by Nancy Padsovie(SP?) on November 15, 2022.

SERGEANT AT ARMS: Good morning and welcome to today's New York Council hearing for the Committee on Finance. If you wish to submit testimony, you may at testimony@council.nyc.gov. At this time, please silence all electronic devices. Thank you for your cooperation. Chair, we are ready to begin.

CHAIRPERSON BRANNAN: [GAVEL] Good morning and welcome to today's Finance Committee meeting, hearing. I am Council Member Justin Brannan and I have the privilege of Chairing this Council's Committee on Finance.

I first want to introduce my colleagues that have joined us today, Council Member Powers, Ayala, Louis, Brooks-Powers, Barron, Ossè, Sanchez and Moya.

Today, the Committee will be holding an oversight hearing to solicit feedback on the final report and recommendations of the New York City Advisory Commission on Property Tax Reform. This marks the first hearing the Council has held on property taxes since 2011 and the conversation is long overdue.

To that end, I'd like to open by thanking the Commissioners present with us today and all the Commissioners for their long hours and hard work in bringing this property tax reform one step closer to reality.

New York City's property tax system is badly broken, fundamentally unfair, and purposefully opaque. In part because of our misguided, outdated laws, property taxes and working in middle class neighborhoods are skyrocketing while the property taxes in wealthier neighborhoods remain artificially low.

A few years ago, for instance an ultra-luxury condo at 220 Central Park South, sold for $238 million. At the time, it was the highest price tag for a home in the nation. Yet, that new Manhattan homeowner paid less in property taxes then the home owners of a two-family home in the Bronx that sold the same year for $439,000.

There are hundreds of other examples of these types of infuriating, nonsensical inequities across our city. Where Brownstone millionaires are paying a lower effective tax rate than middle class homeowners in Dyker Heights in Far Rockaway. To determine the levy or how much the property tax has to raise, the Department of Finance calculates the market value of all city real estate. It takes a fraction of that number to establish the assessed value, then multiplies that by an average tax rate. The levy is then divided proportionately among the four property tax classes, each assessed and taxed at different rates with various exemptions.

However, how much of that proportion or class share can rise in a given year is capped at a certain percentage and any access must be passed on to the other classes, making someone's taxes impossible to predict from year to year. Where our problem lays is that everything that I just said, the fractional assessment, the division among the tax classes, the restriction on class share rise, are requirements established by state law. Other state law requirements have also proven harmful. Right now, New York City must cap increases in property assessments at six percent each year or 25 percent over five years. In theory, this should protect home owners from rapidly rising taxes, but in practice it has artificially suppressed the tax bills of high-priced homes in hot real estate markets while the tax bills for moderately priced homes continue to increase steadily.

This is why a park slope home valued at close to $1.6 million can get a $4,000 property tax bill, while a home on Staten Island's north shore valued at $700,000 gets hit with $6,500 in property taxes. Another cause of this inequity is yet another state law requiring condos and co-ops to be assessed as income producing properties, rather than based on comparable sales.

Their problem is acute in Manhattan where luxury condo values get determined by comparisons to nearby rent stabilized apartments. This leads to severe undervaluing of many homes and explains why the median effective tax rate or the amount of taxes paid per one hundred dollars of properties market value in Manhattan is only $0.45 less than half that in Staten Island at $0.97 or the Bronx at $0.91. And because the city levy is based on the total market value of real estate home owners and these working in middle class outer borough neighborhoods are subsidizing the property taxes of wealthier ones.

After years of hard work by members of the Council, past and present likeminded advocates and every day New Yorkers, the Property Tax Advisory Commissioner was formed in May 2018 to thoroughly exam the property tax system and develop recommendations to make it simple, clearer and fairer while avoiding reduction in revenue used to fund essential city services.

In December of 2021, the Commission issued its final report with ten recommendations. The ten recommendations involve expanding Class One to cover one to three family homes, co-ops, condos and four-to-ten-unit rental buildings, all valued by comparable sales and not rental income. The current valuation methods for the remaining Class 2 and Classes 3 and 4 buildings would remain. Replace the excessive caps with a five-year phase in of market value changes used in larger Class 2 and Class 4 buildings. Ending fractional assessments and instead calculating property taxes by multiplying a new lower tax rate by the full market value. Ending the existing class share system and instead freeze tax rates for five-year periods with future changes to happen proportionately among all classes.

Financial safeguards for the transition to the proposed system, like a five-year phase in of market value changes and a homestead exemption for owner occupied homes and circuit breakers for primary resident owners to ease any tax increases on lower income families and seniors. And lastly, requiring a comprehensive review of the property tax system every ten years.

Today, we'll have the opportunity to discuss the administration's position on the Commission's Report and recommendations, as well as receive feedback from members of the public. Before we begin, I want to thank of course Finance Committee Staff Michael Twomey, Kathleen Ahn, Andrew Wilber, Emre Edev, Ray Majewski, and my Senior Advisor John Yeden for all their hard work behind the scenes in putting today's hearing together.

With that, I'm going to turn it over to my Committee Counsel Michael Twomey to swear in our witnesses.

COMMITTEE COUNSEL: Good morning. Could you raise your right hand please? Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

I do.

COMMITTEE COUNSEL: Thank you. You may begin.

Thank you. Good morning Chair Brannan, members of the Finance Committee, members of the Council. I'm Preston Niblack, I am Commissioner of the Department of Finance. I am here today to testify on behalf of the Administration of Mayor Eric Adams on the subject of reforming New York City's system of taxation of real property.

I'm going to start today with a quick overview of the current systems main features, highlighting in particular some of the features of the system that were the subject of recommendations by the Advisory Commissioner on real property tax reform. The Advisory Commission as you stated was handled by Mayor de Blasio and Speaker Johnson in 2018 and delivered its final report in December of 2021.

Then I'll review the Commission's recommendations for reform. In our view, the Advisory Commission is doing an excellent job in analyzing the short comings of the current system and laying out a plan to make the system fairer and more transparent. Circumstances have changed since the Commission did the bulk of its work before the COVID pandemic. We're reviewing the Advisory Commission's recommendations to make sure we fully understand their impact on New Yorkers and determine whether they should be modified.

Also, a review is needed of issues that the Advisory Commission didn't tackle or propose changing. This is work that needs to be done by both the Administration and the City Council together. So, today, I will also present some additional preliminary analysis of the Commission's proposals to help members of the public and you, the City Council gain a deeper understanding of the impacts of the Commission's recommendations for taxpayers.

So, as I said, I'll start with a quick overview of the systems main features. I'm going to go through this quickly since you already covered this in your opening remarks but four classes of real property. Class 1 consists of one, two and three family homes. Class 2 consists of multifamily residential buildings with more than three units. Within Class 2, I want to highlight in particular two subclasses in the context of Commissions reform proposals Class 2A, which consists of four-to-six-unit rental buildings and Class 2B, which consists of seven-to-ten-unit rental buildings.

Class 3 includes property of regulated utilities and Class 4 is of course all commercial properties and includes many nonprofit properties as well. Properties are valued differently in each class to determine their taxes. Class 1 is currently the only class in which properties are valued based on the sales price of similar properties.

Class 2, large rental properties and most Class 4 commercial properties are valued based on the income capitalization method, where net operating income is divided by a capitalization rate to determine market value.

One peculiarity of this system is that Class 2 co-ops and condos that is home ownership properties, must be valued as if they're income producing rental properties, without regard to how they're valued in the sales market. This introduces some significant disparities in tax burden between similarly valued properties that are used for the same purpose, namely as someone's home.

Notably, because of the lack of comparable rentals at the highest end of the co-op and condo market, there is a significant degree of compression of values resulting in lower effective tax rates that is taxes paid per $100 of market value on properties that sell for millions of dollars. We also cited the example of the hugest side of the condo, the world's most expensive condo purchased a few years ago and the taxes, the effective tax rate is $0.23 per $100 of market value for a unit that was purchased for $240 million. That's compared to an average effective tax rate for condos citywide of $0.73.

Another features of our current system is that the tax rate adopted by the City Council each year is not applied to the market value that DOF has calculated but rather to a fraction of the market value, the assessed value, under the system known as fractional assessment.

Class 1 properties are taxed based on a target ratio of assessed value to market value of six percent subject to caps on how quickly they increased, which I'll discuss in a moment. And other classes are tax based on a ratio of 45 percent of assessed value to DOF market value.

Fractional assessments are a common feature of property taxation and other jurisdictions but they add a layer of complexity when taxpayers are trying to understand how their tax bill is calculated.

Adding more complexity, our statutory caps on the allowable growth in taxable accessed value, the AV growth caps.

On Class 1 properties, the caps are a maximum increase of six percent in any given year and a maximum increase of 20 percent over any five-year period. Class 2A and 2B small rental buildings also have AV growth caps of eight percent per year and thirty percent over five years.

So, this can create confusion and frustration for homeowners who see their market value flat or even declining but see their assessed value and yet their taxes continue to rise until the ratio of assessed value to market value catches up to the target for that class.

Just as significantly, the AV growth caps create inequities across properties within the same tax class. A homeowner in a gentrifying neighborhood with rapid growth in market values, may see the growth in assessed value of their homes lagging the market due to growth caps. This will cause the property to be relatively undertaxed compared to a home in a neighborhood where market values have not grown as rapidly.

Finally, to add yet more level of complexity and opacity to the whole mix. While the Council adopts one tax rate per year, there are actually four distinct tax rates. One for each property class. These tax rates drive from the so-called class shares of the total amount of property taxes billed, the tax levy. Class share systems constrains how the total levy is divided among the four classes, limiting the degree to which the relationship among the classes can change, even if the market value of one class is increasing faster than the others. It is complex and there are very few people who actually understand the mechanics of the calculation, one of whom is sitting next to you.

So, with that brief background on the current system, let me turn now to an overview of the Commission’s recommendations and how they propose to address some of the distortions, inequities and lack of transparency in the current system.

First, the Commissions work was guided by a few values and objectives. Make the property tax system fairer. We refer to fairness in taxation in terms of horizontal equity and vertical equity. Horizontal equity means that similarly valued properties that have similar uses should pay roughly equal taxes. Vertical equity means that effective tax rates should be proportional to the value of a property. In the words of the final report, the Commission sought to strip the system of the features that lead to structural inequalities.

Second, make the property tax easier to understand by eliminating elements of the system that make it difficult to understand how your tax bill is calculated.

Third, the Commission sought to ensure that low- and moderate-income homeowners can afford their tax bills and remain in their homes and communities. And finally, the Commission was charged with crafting a revenue neutral reform proposal.

To accomplish these objectives, the Advisory Commission proposed four key structural changes to the current system. First, the Commission proposed the creation of a new residential tax class that would include current Class 1, one to three family homes plus co-ops and condos currently in Class 2 and the small rental buildings currently in classes 2A and 2B. For convenience, I’ll refer to this as the new Class 1.

Second, properties in the new Class 1 would all be assessed based on sales-based market value. That is the sales-based valuation currently applied to Class 1, one to three family homes would be extended to co-option condos, so that their treatment would be uniform but also would be extended to the evaluation of small four-to-ten-unit rental buildings.

Third, the Commission proposed ending the unnecessary and confusing fractional assessments in all classes and simply applying tax rates to market values. And finally, the Commission proposed doing away with the assessed value growth gaps on Class 1 and Classes 2A and 2B properties. Instead, changes in market value would be phased in over five years, which is the current practice for market value changes for Class 2 large rental buildings and Class 4 commercial properties.

These four structural changes would result in a vastly simpler, more transparent system that would get rid of many of the inequities and tax treatment that are embedded in the current system, while greatly simplifying the system for taxpayers. To promote home ownership, is a key element of stable communities and to ensure that low- and moderate-income households can afford their property tax bills, the Commission added two targeted home owner relief programs on top of its structural reforms. A homestead exemption and a circuit breaker.

The homestead exemption excludes a portion of the taxable value of a home that is occupied by the owner from taxation. The Commission put forward two possible versions. A 20 percent flat rate exemption that would phase as household income rises and a slightly more complex graduated marginal rate exemption.

Under the flat rate exemption, a primary resident homeowner with household income up to $375,000, would see 20 percent of the market value of their home exempt. That is, they would pay tax on 80 percent of the value. More well to do households would pay tax on a progressively larger share of their home value up to a household income of $500,000 when the exemption would phase out entirely.

A circuit breaker is another common feature of property taxation in many jurisdictions. Its purpose to ensure that lower income households can afford their property tax bills by granting the homeowner a credit for property taxes above a certain percentage of their income.

The Commission's proposal was to fully exempt property taxes above ten percent of income up to a maximum of $10,000 total benefit. For incomes up to $58,000. Owners with an income between $58,000 and $90,550 would receive a declining percentage of the amount by which property taxes exceed ten percent of income.

The Commission also recommended replacing the arcane and complicated Class Share system with a system of which the relationship between individual class rates would be fixed for a five-year period. Any change in the overall tax rate would simply result in proportional changes in each classes rate. If the Council were to lower the property tax rate by ten percent for example, each classes tax rate would go down ten percent.

Those were the Commissions key recommendations for reform. Taken together, they would transform a complex and arcane system riddled with inequities and distortions into a simpler and fairer system that would be easier for taxpayers to understand. The benefits in terms of basic credibility of the systems the taxpayers would not incidentally be considerable.

What about the remaining classes of property? What did the Advisory Commission not do? The Commission did not recommend any changes to the treatment of Class 2 large rental buildings. These are income producing properties for their owners and the Commission found and we agree that the income capitalization approach for valuing them is the correct one.

But what about the renters themselves? The tax burden on large buildings — on large rental buildings is significantly higher measured by their effective tax rates. Again, the taxes per $100 of market value than it is on other residential property. The Commission recognize and acknowledge that renters pay at least some share of property taxes through their rents. In a tight market such as New York’s, owners of unregulated apartments will generally be able to pass along increases in property taxes in a form of higher rents.

However, because it is difficult to ensure that any tax reduction would be passed through to renters, the Commission did not make a specific recommendation for renter relief. The potential impact on renters is a particular concern amidst the current affordable housing shortage and as New Yorkers are already facing rising rents and inflation.

Addressing this issue will require careful consideration of potential solutions and caution to avoid any possible adverse implications that would further restrict the availability of affordable housing. There was also no discussion in the Commission’s report on the future of tax incentive programs, such as the recently expired 421A program, which encouraged the production of affordable rental housing. And finally, the Commission did not recommend any changes in how Class 4 commercial properties are taxed. Finding that it’s a general matter, the tax burden in New York City on such properties was comparable to that in other large cities across the country.

So, now, I’d like to turn our attention to what taxpayers could expect if the Commissions proposed reforms were enacted and highlight a couple of issues that raise some concerns for us. And what I’m about to present and discuss, we model what I’ll call the baseline reform model, which includes the 20 percent flat rate homestead exemption and the circuit breaker. Both of which are financed within the system that is by using a slightly higher tax rate on the new Class 1 to pay for homeowner relief, rather than funding it from an external source or by raising the rate on other property classes.

First, the majority of all properties, 63 percent are almost 855,000 parcels in the new Class 1 would see a reduction of at least five percent in their property tax compared to currently. Where currently means 2021, when the analysis was done. The median decrease would be about $1,500 per year or 30 percent.

A larger share of primary resident homeowners in the new Class 1, 73 percent would see a decrease in their tax bill. The median reduction for them would be roughly similar both in dollar terms and in percentage terms. Inevitably however, in a revenue neutral approach, reducing the existing inequities in the system mean that some owners who are currently relatively over taxed would pay less under reform and some who are relevantly undertaxed would pay more.

Thus, 28 percent of all properties in the new Class 1, about 374,000 parcels and one in five primary residents, would see an increase in their property tax of at least five percent. The median increase would be about $2,000 or 36 percent. A small share of properties would see minimal or no change.

The distribution of reductions and increases matters obviously. The Advisory Commission recommended approach would vastly improve both horizontal and vertical equity amongst homeowners compared to the current system. In terms of horizontal equity, the Commission's recommendations would greatly reduce the disparity ineffective tax rates paid by property owners, which currently vary widely.

In FY 2021, half of primary resident owner-occupied properties had an effective tax rate of between $0.60 and $1.00. Under reform this range would be reduced substantially with half of all taxpayers falling between $0.57 and $0.75. This is a huge gain in horizontal equity and would help eliminate the systemic biases embedded in the current tax system, largely through eliminating the distorting effect of AV growth caps.

In terms of vertical equity, the Commission’s proposed reforms would also represent a vast improvement. Most taxpayers with household income below $500,000 would see a tax reduction, with the largest reductions going to the lowest income households. In contrast, higher income households would generally see a tax increase.

This correction in the direction of greater vertical equity arises from two causes. First, by capturing more of the value of high-end co-op and condo apartments under a sales-based value evaluation approach. And second, by providing targeted homeowner relief to lower income households.

Now, it’s important again to bear in mind that since there are no proposed changes to the remaining classes of property, the revenue neutrality constraint implies entirely within the new Class 1. For this reason, given that more property owners will see a tax decrease than a tax increase, the median decrease would be less than the median tax increase. Moreover, benefiting primary resident homeowners in the new Class 1 would mean that much of the burden would be shifted onto non-primary residents and other properties.

While over 70 percent of one to three family homes, co-ops and condos are owner-occupied, the rest are largely rented by owners to tenants and many of these properties would be subject to increases.

In particular, we have concerns about what this would mean for the small four-to-ten-unit rental buildings currently in Classes 2A and 2B. Because these buildings also have caps on growth and accessed value, they are often taxed on an assessed value well below the target ratio of 45 percent of market value. Taxes based on sales-based market value in the same class with one to three family homes, co-ops and condo's would result in a tax increase on 58 percent of these buildings. We need to understand the impact of tax reform on renters in the new Class 1 to ensure that they are not adversely impacted by the tax reform.

These broad issues, the distribution of tax burdens between owners and renters within the new class one and relief for renters in the larger Class 2 buildings are one's that concern us and that we think require further examination in developing recommendations for a tax reform proposal.

Moreover, the current economic and budget environment, including rising residential and commercial mortgage interest rates and high levels of office, continuing high levels of office vacancies makes the context for reform more challenging and introduces new complexities and uncertainties in assessing the dynamics of reform proposals on different segments of the city's real property markets and on revenues. This too requires further study.

With that said, I want to reiterate our respect and gratitude to the members of the Advisory Commission for their work. Although there are some issues that we think require further consideration, the basic framework of their proposal strips away four decades of growing inequity to propose a fundamentally simpler and fairer system. We look forward to working with the City Council to build on the foundation laid by the Commission's work to create lasting change and will make New York City a fairer place for all its residents. And I look forward to your thoughts and questions.

CHAIRPERSON BRANNAN: Thank you Commissioner. We've been joined by Council Members Carr, Brewer, Kagan, Hudson, and Velàzquez. I just want to read into the record a letter that we received from the Governor's Office from Assistant Counsel to the Governor Cheryl Bedard.

Thank you for your invitation and the opportunity to testify at today's Committee hearing on Property Tax Reform. Unfortunately, we will not be able to participate, however, we greatly appreciate all the work that the City Council is doing to address issues of great importance to the residents of the City of New York and we look forward to working with you in the future.

Uhm, so, it's good that we can all agree. I love the line fiendishly complex. I think we could all agree that our current property tax system is badly broken and dysfunctional. Uhm, and it's existed in its current form for close to 40 years but I think it would be good to understand the consequences of what a bad property tax system does to the city, just beyond making our constituents mad and confused.

So, could you tell us what the consequences would be of leaving this property tax system in its current troublesome form?

PRESTON NIBLACK: Having your constituents be mad and confused is no small thing and I think part of the problem there as I said is that, leaving the property tax system in place is problematic from the point of view of the credibility of the whole system. A system that people can understand, where they can look at their bill and see how we got to their taxes. Here's your market value. Here’s your tax rate. Multiply A by B and there’s your taxes is vastly I think obviously more accessible, easier to understand for taxpayers and that is I think really a crucial thing.

The current system as is well-known and well-documented has a number of inequities and they are systemic in their effects across neighborhoods and different communities. Perpetuating those is not to the good of the city as a whole, not good for its economic development, not good for those citizens in communities that are being unfairly treated by the property tax system.

So, I think you know we want to have a system that treats all our citizens in a manner that is fair and understandable to them and that promotes stability in neighborhoods and growth.

CHAIRPERSON BARRON: Beyond issues of fairness, does the inequitable level of taxation amongst different homeowners have an impact would you say on those households and their ability to get ahead in life?

PRESTON NIBLACK: You know there are some — it distorts the market, right. These different levels of taxation means that properties are valued differently than they would be if taxation were more uniform. I think that that favors some taxpayers, some of whom may not necessarily need to be favored and disfavors some taxpayers who live in other areas where the market growth has not been as rapid for example.

So, you know, I think we're all familiar with the disparities in tax treatment between Brownstone Brooklyn and you know Staten Island, mid-Staten Island. There are big disparities there that are not justifiable by any market value. And I think that those — I mean, I know you wanted to go beyond fairness but there's a basic lack of fairness in there but it also, it undermines the valuation of properties and undermines the neighborhood, equitable neighborhood growth I think. I think that holds back some neighborhoods unnecessarily.

CHAIRPERSON BRANNAN: And you think the system as it is discourages housing and commercial development in our city?

PRESTON NIBLACK: Uhm, there are a lot of reasons why. Let’s talk about housing for a moment. I mean, I think there are a lot of reasons why housing construction and the lack, chronic lack of affordable housing continues. The Administration has put forward a Zoning Text Amendment and a Housing Blueprint which attempt to address some of that. We’re big supporters of Governor Hochul’s 45W proposal and we will — it will be a high priority for us next session.

So, there are a lot of steps outside of just property taxes that I think need to be taken to address development. Again, a property tax system that is perceived as fair handed, even handed and uh easily understood and administered is only a benefit in terms of development.

CHAIRPERSON BRANNAN: And understanding that this Commission and its report was put together by a previous Administration, is the Adam’s Administration supportive of all the proposals in the Commission's final report?

PRESTON NIBLACK: So, we think, what I try to convey in my testimony is, we think the basic framework and the structural reforms of the proposed and the targeted homeowner relief, all in concept are exactly the direction we need to go in. We do think there are some consequences, which we've been digging into that are more problematic. There was no consideration given to what happens for renters. We're concerned about the distribution of taxes within the new Class 1 that will impact renters adversely in some cases. We're not wedded to all the specifics at this point of any piece of it. But again, I think the basic concept and framework was absolutely spot on and that there are a number of issues that are difficult frankly to you know — we need to understand them better. It's a little bit harder to understand them when everything is moving in the market as it is now in kind of unpredictable ways but you know we want to try and come forward with some proposals that will address some of those issues that we identified.

CHAIRPERSON BRANNAN: Aside from those you know unintended consequences, are there other issues that the Commission didn't address that you think should have been looked at? I know you mentioned that in your testimony but are there things outside of those consequences?

PRESTON NIBLACK: I think those are the big ones for us. I mean, I think you know, we have to — it's a very complex system and it's not leashed because it is a very complex property market and it's not a single property market obviously. It's many, many property markets, many, many neighborhoods. So, I think we really need to spend time and have been spending time wrapping our heads around what the implications are at a level of detail that we all will — you and us, will need to really understand before we move forward.

So, I think you know, we need to be careful about what the consequences are of some of these changes. We have another issue that I didn't mention as you know there are some taxpayers who under reform would see their taxes increase very substantially and we have to really think about like what's the transition mechanism for some of those taxpayers? Are the parameters of the Homestead exemption and the circuit breaker the right numbers. I mean, those were obviously tied to certain benefit programs in place at that time. But there are a lot of pieces that we have to look at I think to make sure we understand how the moving parts effect each other.

CHAIRPERSON BRANNAN: And by our understanding, all but one of the Commission's proposals, I think the ones that have a holistic review of their property taxes every ten years. All of the Commission's proposals would require state law changes. Do you agree with that analysis?

PRESTON NIBLACK: Yes.

CHAIRPERSON BRANNAN: Okay. Are there any — could we enact any of these recommendations locally, rather than needing state? Is there anything that the city can do without the state?

PRESTON NIBLACK: No, I mean all the elements of the tax system that are so problematic and everything else about it are in the real property tax laws, so there's nothing that we can — there's nothing that we can change locally.

CHAIRPERSON BRANNAN: And does Albany need the city's permission to reform the property tax?

PRESTON NIBLACK: That's an existential question. Uhm, I, I think, our feeling is I think that if we as a city, meaning the Administration and the Council. I say us and I get confused sometimes about what I'm talking about. The Administration and the City Council, uh, go to Albany with a plan that we all support, then that increases the chance of getting that proposal through the legislature and the governor, you know exponentially.

CHAIRPERSON BRANNAN: When do you think the Mayor would go public with a position on this issue?

PRESTON NIBLACK: So, one of the things that we have been working on is updating the analysis. The analysis is essentially based on data before the pandemic. Uhm, updating the analysis requires access — in order to do the income matching that's part of the analysis, we need data from the IRS, which typically — which is actually coming a little bit slower than normal right now.

So, to really fully update the analysis to replicate the analysis that was done in 2021 would take us a few months and by the time we get the data and kind of run all the models again. So, you know, my expectation is, I really would like to try and understand better how this looks different now and what that means for the proposal and whether that means you might change some of the proposal parameters.

So, I think you know we're looking at this spring before we would probably have confidence in coming forward with a set of recommendations but —

CHAIRPERSON BRANNAN: Okay, uhm, I guess I'm sensitive to folks thinking we're continuing to kick the can obviously.

PRESTON NIBLACK: I completely understand that and I again, I just think it's critical that we all can look at this and feel like we understand what's going on in a very deep way and I'm hesitant to go forward without making sure that we sort of incorporate. And at the end of the day, maybe things have not changed enough that you would change anything in the proposal from what it was in the Advisory Commission's final report. But I don't know that you know, I want to feel more confident I guess that that is the case before we move forward.

CHAIRPERSON BRANNAN: I mean, is there something that — is there something — what's the number one issue you think would be different post-COVID?

PRESTON NIBLACK: I think that we need to understand sort of what's going on within this new residential Class 1, given that there have been a lot of changes in the residential market during the pandemic that are now sort of evening out a little bit but its left some of the markets in a somewhat different place. And I think we also have to take into account the effect of rising mortgage rates on property values.

So, you know what was revenue neutral may not be revenue neutral if we did model the same proposals right now. So, we have to — I think we just need to look at all of that and figure out you know whether or not there are big changes. The other major issue I think is the evaluation of Class 4 commercial property. You know and whether the continued office vacancy rates for example, are going to result in lower values for our office buildings at some point going forward.

CHAIRPERSON BRANNAN: Under the current system, the caps that limit the assessment growth of Class 1 properties are widely considered to have led to inequities among Class 1 properties and many consider this to be one of the major flaws of the current system.

In your estimation, would the Commission's blueprint, if it were implemented resolve the inequities caused by the assessment caps?

PRESTON NIBLACK: Yes, if implemented as proposed, you'd essentially have one effective tax rate across all properties that would modified only to the extent that you have a phase out of the homestead exemption at a certain level and then you had a reduction in taxes from the circuit breaker. So, it would be a more graduated; dare I say progressive tax system then the one we currently have where median tax rates tend to sort of peak in the middle of the income range and then decline.

CHAIRPERSON BRANNAN: The current system requires that co-ops and condo's be valued by DOF as if they were rentals. This has also been cited as one of the major flaws with the current system for myriad reasons. Do you agree that the state law is governing the assessment of co-ops and condos as one of the most pressing issues with the city's property tax?

PRESTON NIBLACK: Yes, it’s one of the — I mean, it’s a sort of bizarre feature and I’m sure that somebody thought it was a good idea at the time but it’s hard to justify I think in terms of how the properties are used, compared to Class 1 which are used for the same purpose and are you know taxed in a completely different way.

CHAIRPERSON BRANNAN: If a co-op or condo owner doesn’t understand their value under the current system, who can they ask?

PRESTON NIBLACK: God help them. Uhm, but we have a guide.

CHAIRPERSON BRANNAN: Just one?

PRESTON NIBLACK: We have a guide for Class 1 and for Class 2 that you know attempts to layout and explain how values are arrived at. There is you know information in the statement of account that you know may or may not be helpful. We’ve been actually revisiting our statement of account to try and make it clearer and simpler for folks, which we hope will roll out this spring, next year.

Uhm, so uh, sorry, sorry what was the question?

CHAIRPERSON BRANNAN: If a co-op or condo owner doesn’t understand —

PRESTON NIBLACK: Oh, yeah, yeah, yeah. So, there is — I mean, there is a guide you know there are guides on our website that try to lay this out and if you call the Department of Finance, we will try and explain your bill to you. We do a lot of outreach sessions where we have people come out who will try and explain the bills. It’s inherently so complex that it’s not I think easy to explain or understand for anybody.

I look at my own tax bill from my building and I’m sometimes confused.

CHAIRPERSON BRANNAN: What’s the phone number?

PRESTON NIBLACK: Uh, I don’t know that I know the phone number off the top of my head but we’ll get it to you.

COUNCIL MEMBER BREWER: Marian knows it.

PRESTON NIBLACK: Marian knows it. She calls it all the time. I mean obviously you start with 311 but —

CHAIRPERSON BRANNAN: Oh my God.

PRESTON NIBLACK: Yeah, I know.

CHAIRPERSON BRANNAN: If I’m going to call 311, it’s like a curse.

PRESTON NIBLACK: I will, we will get you a number or an email.

CHAIRPERSON BRANNAN: Okay, part of the reason why property tax is so high in our city is that a lot of the property tax is exempt, which shifts the burden on to properties that are not exempt. So, while we get a lot of benefits from the institutions that these tax breaks help support, I'm not saying that these tax breaks are not worth it but it's definitely a cause of the inequity.

Has the Administration considered approaching large, wealthy, nonprofit institutions like Columbia or Mount Sinai and others about paying a voluntary pilot?

PRESTON NIBLACK: It's part of what we are looking at. About whether that is an approach that we think makes sense and if so, who? What? I mean, there are a lot of exempt organizations and kind of drawing the line about who you ask and who you don't ask is a little bit complicated.

The Commission made a recommendation for a kind of public service fee, which is similar. Public service fees or pilots have been negotiated in other large cities with non-profits. In recognition of the fact that there are services that they benefit from. You know basic city services that they benefit from. So, it’s tagged to some percentage of what their property taxes would be based on their assessed value, but this is part of what we’re looking at. I don’t know that we’ve reached a — we have not reached a conclusion yet about that.

CHAIRPERSON BRANNAN: Last question and then I want to turn to my colleagues. I guess the issue for a lot of is that for folks in the outer boroughs who have been paying too much for too long and subsidizing the system, it doesn’t help them if you know a home owner in Dyker Heights whose paying more in property taxes than a homeowner in Park Slope, it doesn’t help them if suddenly the guy in Park Slope is paying more. There’s no joy. I mean, sure, there’s maybe a minute of joy but then you go and you read your bill and you’re still paying the same property tax.

So, wouldn’t you say that for the homeowners that have been paying too much for too long, their property tax should be coming down. Whereas the homeowner in Park Slope should finally be paying what they should have been paying for 40-years. How do we make that happen?

PRESTON NIBLACK: So, the Commission's recommendations actually made that happen because there's essentially revenue neutrality within this new residential class, you're going to see actually a majority of properties in almost three quarters of homeowners would see a decrease in their tax bill. You know our concern is that some of that gets shifted onto properties that are rented. And so, the burden gets shifted on to renters and that's problematic. But the leveling out of the effective tax rates across properties within the same new class is you know, a critical core feature. And as I say, as proposed by the Commission, it would result in tax cuts of you know on average around 30 percent for three quarters of homeowners. And it's those homeowners who have largely been effected by you know or not enjoyed the benefits of the AV growth caps over the years.

CHAIRPERSON BRANNAN: And last thing, do you think it needs to stay? Do you agree with it needing to stay revenue neutral?

PRESTON NIBLACK: I think that's a decision to be made. You know I've always said, tax reform is easy if you have $5 billion a year to throw around. I think that if you wanted to raise revenues, we just have to think through who is going to pay it. And if we're going to redesign the system, you know we already I think believe that Class 2 rental buildings are heavily taxed. Certainly, the owners of commercial buildings think that their buildings are too heavily taxed. You know, everybody is going to have some objection. When, if you were to follow the outline of the Commission's proposals, you'd set the initial tax rates right. You could do that kind of as you wanted and you could raise or reduce revenues if you wanted to.

So, I don't know that we have a — any revenue neutrality is easier in the sort of sense of path of least resistance but it also creates as we said, winners and losers and that can be uh, you know that will be a source of political friction obviously in adopting any change.

CHAIRPERSON BRANNAN: Thank you Commissioner. I'm going to turn it over first to Council Member Carr for questions.

COUNCIL MEMBER CARR: Thank you Chair. Good morning Commissioner.

PRESTON NIBLACK: Good morning.

COUNCIL MEMBER CARR: Uhm, you know I think my community has so often been used as kind of an exemplar of those who are kind of on the iniquitous end of this property tax system that it just goes without saying that they're desperate for relief. And one of the reasons why I was so excited when these blueprints came out from the Commission end of last year is that it seemed to provide a roadmap for them getting that relief and that seems to be what your testimony affirms and I've seen the testimony of the independent budget office who are coming later. They say the same thing and so, I'm concerned that this dilemma that you raise with respect to you know renters and how they may be effected by these needed changes that this reform process is going to become hostage to an irreconcilable difference of interest.

And so, I'm just wondering how you think that could happen? Right, because Albany comes back in session in January and I'd love for all of us with United voice up there saying, let's do something here. Let's do something along these lines. But you're saying there is more work that needs to be done and you talked about updating the analysis and whatnot but when do we start getting in the room together, to talk about how we fix that? And I want to piggyback off what the Chair was saying, how married are we to this revenue neutrality? Because — and you talked about raising revenue. I'm finally giving tax cuts to everyone. No shocker to I think anyone here but how do we work this out?

PRESTON NIBLACK: So, let me start with the question of revenue neutrality. That's fundamentally a decision for you all to make. Uhm, and you know, when you make it, we'll incorporate it into the design and the initial tax rates. That's sort of from our perspective in terms of the structural reform, that's you know exogenous to that particular decision, exogenous to the structural reforms.

You know in terms of the timeline and the dilemmas that we look at here, these are you know we're trying to understand essentially, are there solutions? What's the framework for solutions? How much is the break the mold that the Commission laid out?

So, you know it’s very hard to sort of reconcile some of the disparities between homeowners and renters, that this might create within the new residential class without sort of reducing — without sort of shifting some of the burden back onto home owners. So, and I think we all think it’s an important feature to take into account homeowners who have been relatively over taxed over the years and make sure that they are not relatively over taxed going forward.

COUNCIL MEMBER CARR: Yeah because my concern is that you know for years the system has existed. For years its punished property owners like the ones that I represent. And it’s just unacceptable that that would be considered to be a status quo that can extend into the future, even the near future because it's clearly hurting them. It’s clearly forcing them out of their homes, their sales and then that’s looking — they’re looking to recoup those losses over the years with higher sale prices. And so, it’s less affordable of a community to the incoming class of homeowners.

And so again, like what’s your timeline here for when we can actually start putting together these tweaks that you're suggesting and then maybe consider them and maybe then take a united package up to Albany because if folks think that we're slow in this Chamber and this level of government, you know Albany has — can set records in that regard. So, I just would like to know when are we really going to start to see some action and it's beyond just talking about a report that frankly has been available to the public and to all of us for some time now.

PRESTON NIBLACK: So, I think a couple of things. One, now that the election is over obviously, it means that there's a more subtle political environment in which to do things in Albany. So, that's a plus obviously. I think we and by we, I mean all of us, including most importantly the City Council need to understand the full implications of what we're proposing. So, we've been working through analysis to try and deepen our understanding of the implications. I highlighted a couple of you know items that we've come to appreciate and I think we just want to make sure that we have a full kind of analysis to present to you all and then talk through and at that point, come up with some recommendations.

In an ideal world Council Member, I really would like to see us update the analysis to reflect the last couple of years but I think you know, we could begin to talk sooner about the shape of reform but I think we would like to come to you with you know a full analytic package so that you know, you all can really make sure your questions that you're going to have are answered and that we have some proposals for how we would deal with some of the issues.

COUNCIL MEMBER CARR: I appreciate that Commissioner but again, so there's no timeline? You can't give me ballpark? Weeks? Months? Early next year? I mean, that's really what I'm looking to hear from you at this point.

PRESTON NIBLACK: Yeah, uhm, okay, I'm hesitant to commit to a firm timeline but it will be certainly — it will certainly not be later than next year. We'll certainly have something.

COUNCIL MEMBER CARR: Thank you. Thank you Chair.

CHAIRPERSON BRANNAN: Next, we have Council Members Barron and then Brewer.

COUNCIL MEMBER BARRON: Thank you very much. This issue has been a powerful, long issue and I noticed the Commission makeup, even though you have a couple of Blacks as exofacial officers, but the inequity starts with the Commission itself. Only one Black and one Latina. That starts the inequity and then out of that, we have to count on the majority of White Commission excluding exofacial members, even though we're majority in New York City now, overwhelming majority.

I think a lot of policies come when we put commissions like that together. This is what we get. First, uhm, we're not touching Class 4. Not even considering anything for those on commercial property. Not the small business owners but Madison Square Garden pays what zero taxes. The problem is the tax abatements that allowed, the tax breaks that allow. If you didn't give these breaks out, if these breaks weren't given out, we don't have to do anything to hurt property owners. I remember in 2003 when Bloomberg was here and we had a budget mod to do in November and they said, it's a $2.1 billion shortfall. And you either raise property tax or cut $2.1 billion more from the budget, seniors and youth.

We already were cut to the bone in June. A lot of us didn't appreciate those cuts, so then it came before us, well, we have a $2.1 billion shortfall. Bloomberg wanted to raise it 30 percent and the Council compromised at 18 percent for the property tax hike. And these things happen because the rich corporations get a break. They get 421A. They didn’t do no real affordable housing but they had tax breaks. If we would have said, keep your affordable housing, pay your taxes, we could have taken their tax money and put into a real affordable housing fund and help us all but anytime we come up with these propositions and make it appear as though okay, we’re going to give a little break for Class 1 and Class 2 but we’re not going to mess with Class 4. Unacceptable. That’s unacceptable. I think that we should make those who have more, pay more and that we should consider a real property tax system that doesn’t punish homeowners.

A lot of us had to go back to our communities and say look, either we raise the property taxes or we’re going to lose the Senior Citizen program, we’re going to lose the Youth Program. And even our property tax, our property owners said, okay, we’ll sacrifice because we don’t want that to happen in a city that has $101 billion budget and $8.3 billion in a reserve fund. We're sitting here cutting city agencies by three percent and cutting education $200-$300 million, bloated police budget $11 billion, and then we come up with this.

I know Commissioner Stark's years ago, recommended that we reduced the six percent for Class 1 down to 3.5 percent permanently. To reduce that and that would be very, very helpful but when I look through this and I see all the contradictions, I'm just concerned that we as a Council don't go along to get along or you even to get along with your boss. And we need to come forth with something that truly makes those who make more, pay more. And this system, when you put a Commission like this together, Mark Shore, Mark Shore, when you put a Commission like that together, you know what's going to come out of it and the rich get richer year after year. The poor get poorer and then you're trying to make a little break for the poor, struggling people but this doesn't get it. You know, we have to do something around the real property tax and I know the state has a lot to do with that but we have to go beyond. We're up against the wall, so we're going to have raise property tax in the event a shortfall comes.

And I just see reading through a lot of this, a lot of our people won't even understand a lot of it because they're just trying to you know make ends meet. But the fact of the matter is, the rich protect the rich and the poor get shafted in these kinds of proposals.

So, I just want to hear your comment to some of that.

PRESTON NIBLACK: I think that the Commission's recommendations actually go a tremendous distance in terms of benefiting communities that have been relatively speaking over taxed for many years. So, and raising the rate on those that have been undertaxed. The sort of equalization both horizontally and vertically in terms of equity is very substantial. It's true that that's all within sort of the residential class that it creates and there was no — there were no changes proposed to Class 4 and you know, there was no discussions for the tax incentives, programs that currently exists. All of that's you know something I think for us to discuss going forward.

COUNCIL MEMBER BARRON: Alright but that's not true that it really did all of that to try to get equity. We're nowhere near equity and I think sometimes these gradual proposals that give the appearance of yeah, there's some reduction and all of that but that's not going to make any substantive major changes in how business is done.

And so, often times we're given these reductions and a little more for this and a little less for that but the bottom line, it's not substantive enough. It's not full of substance.

PRESTON NIBLACK: Thank you Council Member.

CHAIRPERSON BRANNAN: I just, I'm going to turn to Council Member Brewer. I just want to ask, is there on the DOF website right now, could a homeowner co-op owner find the formula for how DOF evaluates properties?

PRESTON NIBLACK: I mean, it's in our guide and I think if you go and you look at your notice of property value, I think it's laid out there.

CHAIRPERSON BRANNAN: So, I could, if I could look up — how do you get to my bill and it will —

PRESTON NIBLACK: If you go to the property taxes section on the website, you know there's your property lookup.

CHAIRPERSON BRANNAN: Okay, Council Member Brewer.

COUNCIL MEMBER BREWER: Thank you. Uhm, I think you know and you talked about it a little bit with renters, like almost 69 percent of us, rent, renters in New York. And so, you talked about it a little bit. I just want to understand a little bit more because you got two kinds of renters. You have the market renters and then you have the rent, regulated renters and so, I'm just wondering how you think this would impact both. You talked about the market but this would mean that RGB would have some hopefully import into their lowering the rent or not increasing the rent in terms of percentage.

And then, I guess there's some cities and I don't know this that have a circuit breaker to renters to help them because uhm, renters need help. So, I'm just wondering if you could expand a little bit on how you think this would improve, if at all the ability to rent in the city.

PRESTON NIBLACK: As I said, I think one of our main concerns here is really about — I mean first of all, the larger rental buildings such as those on the upper west side are not effected at all by — there were no proposed changes there. So, no change in rent burdens there.

I think we're concerned about smaller buildings, Class 2A and 2B, four-to-ten-year rental buildings and even those two and three family homes where there's a rental unit and no owner present could see tax increases, which you know in an unregulated environment means they could easily get passed on in all or in part to the renters themselves.

So, I think that's you know for us, that's an issue that we need to examine a little bit more fully and we want to present to you sort of our analysis of that and you know we're looking for some to think about how to address that problem. Because we agree that a system that adversely affects you know over two thirds of residents of the city who are renters is not a great fix.

COUNCIL MEMBER BREWER: Okay, but even the ones that are not affected, I have to say the rents are huge. You know people are moving every month to be able to avoid I guess you call it the post-pandemic rent.

PRESTON NIBLACK: Yeah.

COUNCIL MEMBER BREWER: So, I just think we need a little bit more discussion generally on renters because they see anything that would be of assistance to them and if there's some other structure? I don't know but it seems to me with a 68, 69 percent of people renting in the city, a little bit more focus should be on that.

The other thing is I know nobody is talking about commercial rent tax, that unfair tax in Manhattan, does that come up at all in any of these discussions? Council Member Powers and I hate it.

PRESTON NIBLACK: Uh, the commercial rent tax was not part of the discussion of the Commission and to my understanding because it's not part of the property tax system per se.

COUNCIL MEMBER BREWER: Well, except that they get stuck with it.

PRESTON NIBLACK: Yes, they do get stuck with it. I mean, I think now it is because of the changes that were enacted a few years ago when Council Member Grodenchik, who also hated it, was here, that largely falls on larger firms. It's not really — it doesn't fall on a lot of small businesses.

COUNCIL MEMBER BREWER: Supermarkets get hit with it badly.

PRESTON NIBLACK: And it falls on you know; it falls on businesses in Manhattan.

COUNCIL MEMBER BREWER: Yes, I am aware of that.

PRESTON NIBLACK: And so, you know you can, there have been proposals to eliminate and reduce and etc. It brings in $900 million a year, so that's the consideration.

COUNCIL MEMBER BREWER: To be discussed further.

PRESTON NIBLACK: Yeah.

COUNCIL MEMBER BREWER: Do we know how many folks don't pay their taxes? What the number is? How does that number figure into this?

PRESTON NIBLACK: There is a small percentage usually of people who get behind on their taxes. As you know, we currently don't have an enforcement mechanism for people who don't pay their taxes. We are looking at a proposal for how to help people who can't pay their taxes while still managing to enforcing as people who aren't, don't, won't pay their taxes.

So, you know I think the overall delinquency rate is at about three and a half percent right now, so it's about where it usually is at this point in the year.

COUNCIL MEMBER BREWER: Does that translate to a number?

PRESTON NIBLACK: Yes, about $1 billion.

COUNCIL MEMBER BREWER: And the other question I have in terms of co-ops and condo's, as time goes on with these discussions, would we be able to have some examples? I'm obviously interested in Manhattan. How one would be paying under the current system versus the new system because it's fine to talk about it but it's not clear that there would be a reduction if you're in this new Class 1, which seems to make sense to me.

PRESTON NIBLACK: Right.

COUNCIL MEMBER BREWER: But I mean, it's hard to know.

PRESTON NIBLACK: That's why I think you know, one of the things that we've been working on here is a more just detailed fine grain presentation of the changes to show some geographical impact. To show sort of some you know examples.

COUNCIL MEMBER BREWER: I go with whatever Marian Roffman says, I go with, just so you know.

And then just finally, the issue of living in the building prime. I would obviously love to tax more of the pied-a-terre. That never seems to work in Albany. Is there some reason for that?

PRESTON NIBLACK: I don’t know what the reason is. Uhm, that was mentioned in the Commission’s report as a possible revenue source. You know again, it’s sort of outside the pied-a-terre tax has a couple of different configurations, usually it’s in the form of a transfer, a higher transfer tax.

COUNCIL MEMBER BREWER: Okay.

PRESTON NIBLACK: The proposal that has been in Albany the last couple of years has been one that would actually raise the tax rate. I mean, we give homeowners co-op/condo abatement, star, etc. we give them. There is in effect a higher tax rate on you know non-owner occupied.

COUNCIL MEMBER BREWER: Because they don’t get that rate, yup.

PRESTON NIBLACK: But uh, you know that’s certainly, I can’t tell you the reasons why it hasn’t gone anywhere in Albany, I don’t know.

COUNCIL MEMBER BREWER: Okay, and then how will you know — maybe that somebody really is living in the apartment. Since we can't figure out how many vacancies we have for warehousing. I mean, how do you actually know that? Is that something that you know now? Would it have to be clarified etc.? because I see a lot of cheaters out there.

PRESTON NIBLACK: Yeah, I mean we do try to ensure that you know people are getting what they're entitled to and not more. We sent out letters not long ago to around 5,000 taxpayers for whom we had some doubts about whether they were actually residents and uh, asked them to confirm that they were residents with some proof and we got back a fairly small number of people. And so, those tax abatements were revoked for people who didn't respond, so.

COUNCIL MEMBER BREWER: Okay, alright, thank you Mr. Chair.

PRESTON NIBLACK: And then some people came in and responded after their tax was revoked of course but you know we try to reach everybody.

CHAIRPERSON BRANNAN: I just want to note we've been joined by Council Members Farias and Restler. And now, I want to turn to Council Members Brooks-Powers and then Ossè for questions.

COUNCIL MEMBER BROOKS-POWERS: Thank you Chair and hi Commissioner Niblack.

PRESTON NIBLACK: Hi, nice to see you again.

COUNCIL MEMBER BROOKS-POWERS: Nice to see you again as well. Uhm, I know you know where I stand on the property taxes but just for the record, I just want to say that communities like Southeast Queens get hammered with property taxes.

In my district, I'm predominantly homeownership, which have the one- and two-family homes, as well as condominiums. I'm also concerned about when you change the class for the condominiums, what that impact may be for a condominium that's like 300 homeowners and less. So, that's one but in terms of the questions that I have, I want to start with, I'd like you to walk the Committee through the Targeted Relief Programs for homeowners that the report recommends.

So, in your report, you proposed two competing options for an exemption structure. The partial homestead exemption and the graduated marginal rate exemption. Can you explain the advantages or disadvantages of each of these structures?

PRESTON NIBLACK: Well, I have to admit I'm partial to the flat rate exemptions. The way that that would work is that 20 percent of the property's value would be exempt from taxation. So, we're on sales-based market value, right.

So, if your property is assessed at $500,000, you would be paying taxes on $400,000, right? Did I do the math right? Yes. Uhm, the uh, uh, that would be fully in effect up to an income of $375— household income of $375,000 and then a decreasing percentage would be exempt up to an income of $500,000. The graduated rate exemption, which I don't know that I could as easily recite from memory, is more complex and I think it creates some distortions and some complexity that I, you know, both at Administration and for taxpayers, you kind of constantly have to revisit income and it's a much more — it can create sort of jumps in evaluation that's taxed if income changes from year to year.

So, you know I think it's not — there's a lot to be said for simplicity and clarity and I think the structure of the flat rate tax exemption, so-called flat rate tax exemption has enough progressivity in it and you can see it. You know if you look at effective tax rates below 375 and above 500, you can see that effective tax rates are higher on incomes above $500,000 under reform because of it.

So, I think it's a straight forward mechanism that doesn't result in any cliffs and is fairly easy for taxpayers to understand.

COUNCIL MEMBER BROOKS-POWERS: And in terms of the recommendations outlined, the report, changing the type of relief lower income homeowners receive currently. Are there certain lower income homeowners who would pay more under this new system? So, a moment ago I was talking to my colleague Council Member Hudson and we were talking about legacy homeowners, as we spoke about before. And just wanting to know if there maybe you know a blind spot in this space in terms of the impact on certain lower income homeowners?

PRESTON NIBLACK: Yes, it's possible and I think there are some neighborhoods where there would be a substantial number of properties that you — even with the circuit breaker and the exemption, at least as proposed. You'd still see homeowners who have a fairly high burden in terms of their income. So, more than you know substantially more than ten percent.

Even though their taxes might go down, some of their taxes may go up. And again, I think that that's one of the concerns that we have that I didn't really discuss in detail but this sort of problem of excess burdens taxpayers is one that I think we need to kind of figure out as well. Because as we mentioned, there are substantial numbers of homeowners who would see very substantial increases. Even under reform, even with the targeted homeowner relief.

So, I think you know part of the discussion we all need to have is sort of how to address that problem.

COUNCIL MEMBER BROOKS-POWERS: So, I have two quick questions I'm going to ask because I know I'm running out of time but I would love to have the answer.

One, last week's election voted adopted amendments to the City Charter, which added a preamble to the Charter to include language around building a "just and equitable city for all." And require the city agencies create racial equity plans.

As Charter Revision Commission specifically called out race neutral decision making as often exacerbating racial disparities as racial impacts are ignored. Based on this, do you believe it is appropriate for the city to understand the racial impact on property tax reform and then the last question I have for you is, coming out of the pandemic, the new level of sustained popularity of hybrid remote work options has led to heightened levels of commercial vacancies, clouding the future of many commercial properties.

Does the Administration anticipate the current high vacancy environment will lead to a new normal for the city's property assessment base? If so, are there reforms to the property tax system that the Administration would suggest to reflect the new normal? And thank you.

PRESTON NIBLACK: Yup, so with respect to the racial equity question. I think — I mean there's obviously been the analysis and I think everybody understands that there is a racial dimension to inequities that are built into the system.

You know as I said, we're trying to deepen the analysis here to go down you know into a deeper,

deeper level so that every Council Member can kind of look at their district and understand what the implications would be, as well as citywide. And I think in general, those disparities in the Commission's proposal would be largely eliminated as they exist today and that's again, I mean I think that's a huge selling point and a huge benefit to the reform structure that was proposed.

So, I think we would actually end up taking a big step forward in terms of racial equity if we were to go in the general direction that the Commission has proposed.

Office vacancies is a bit of a challenge for us right now. You know, we're seeing the information that we get from commercial property owners is lagged. So, the information that we're using for this coming tax year is from last year. So, we're not seeing yet in the real property income and expense statements big or sustained vacancy rates but I think we're starting to see some evidence of that. And we're not in the business of forecasting. We're just you trying to figure out like, what's it worth today? But I think you know, it's not hard to see that specially in the office market there's going to be — and in retail, there's going to be some challenges going ahead if vacancy rates continue at their current level. And that, you know we take into account in assessments. Uhm, and so, you know, assessments, if there's sustained vacancy rates, assessments will start to go down and taxes will start to go down on the relatively speaking at least to their current level.

So, I think you know this is an area that we'll be watching on. When we release the tentative role in January, we'll comment on certainly sort of what we're seeing.

CHAIRPERSON BRANNAN: Council Member Ossè.

COUNCIL MEMBER OSSÈ: Thank you Chair and good afternoon Commissioner. I do want to follow up or dig deeper a little bit about my colleagues past question in terms of legacy residents. I represent Bed Stuey and Crown Heights and I'm interested in how these reforms will be equitable to these small homeowners, especially our seniors who are living on fixed incomes for example, retirement, no increase in wages. How is this process or how are these reforms going to be more equitable for them?

PRESTON NIBLACK: I mean, this is one of the areas where I think there are some challenges in reform. A neighborhood like Bed Stuey which has seen rapid growth in market values but not necessarily for people who have been in their homes for a long time. They haven't seen their incomes grow at nearly the rate that their market values are growing.

So, that means the burden of income property taxes rather is increasing on them. It also means because of the assessed growth caps on assessed value, that they are among the relatively undertaxed right now and under reform you know neighborhoods like that could see their taxes go up. And I think that this is one of the challenges that we need to look at very carefully and understand you know how we're going to address legacy homeowners like that.

COUNCIL MEMBER OSSÈ: And is the Department of Finance looking into those cases?

PRESTON NIBLACK: I mean we're — we're you know as I said, we're trying to dig down and really get as much detail without becoming you know just going line by line through each address. Get as much detail as we can. Detailed understanding as we can of the impacts on different kinds of homeowners in different neighborhoods and you know when we have what we think are sufficient analysis here to answer you know many of the questions that you all will have, we will bring those forward.

COUNCIL MEMBER OSSÈ: Thank you. I appreciate that. Maybe you answered this already in your past answer but how will the homestead exemption provide relief to such homeowners as well?

PRESTON NIBLACK: I mean the homestead exemption and in particular the circuit breaker are important dimensions of how you achieve sort of help for homeowners who are sort of if you will, house rich and cash poor.

So, it's just a question right now of you know, how do you design a circuit breaker? Is the circuit breaker as proposed by the Commission sufficient? You know are those the right parameters and who does it help? Who does it not help? And then we want to try and dig deeper into that. But the circuit breaker is a common feature and the one that was designed by the Commission makes a lot of sense in general outline. We just want to make sure we fully understand you know, who benefits and who needs more help potentially.

COUNCIL MEMBER OSSÈ: Absolutely. Something that's usually a main concern for me and my constituents is whenever you know there is government reforms you know got passed through the Council or anybody of government which benefit you know homeowners or just people of our city, the outreach seems to be lacking. Maybe it only resides online and you know, again, I do represent a district with a decent amount of seniors who may not be as tech savvy but if you could go into what the educational outreach for these new reforms would look like, I would appreciate that.

PRESTON NIBLACK: Well, we'll have to have the reforms first and then the outreach.

COUNCIL MEMBER OSSÈ: Right.

PRESTON NIBLACK: But I will say that in general, you know outreach has been somewhat inhibited over the last couple of years because of the inability to do in-person and we've been frustrated by that and we are really — we have a strong outreach team headed by Assistant Commissioner Jacque Gold, whose enthusiasm is unmatched and they will go out rain or shine day or night you know and to any event in any community and try and be helpful. And we will — I can only imagine that when we actually pass a tax reform, new tax law, property tax law, that there is going to be a lot of discussion about how we're going to inform people. It's going to be very important.

COUNCIL MEMBER OSSÈ: Thank you Commissioner and those are all of my questions. Just again, want to hammer in on the point of when you do come to an inclusion on your analysis of you know those homeowners that you know reside in Prospect Heights and Bed Stuey and Crown Heights. You know, I think when we think about Brownstone homeowners, we obviously deem them to be wealthy or upper middle class and there are a lot of you know hard working Black New Yorkers that you know again are living on fixed incomes that are being impacted by the steep property taxes and are potentially selling their homes to anyone that comes knocking on their door. So, I would really appreciate that information.

PRESTON NIBLACK: Absolutely. And we certainly, completely understand the problem.

CHAIRPERSON BRANNAN: Council Member Sanchez on Zoom.

COUNCIL MEMBER SANCHEZ: Hey, good afternoon everyone. Commissioner, thank you so much for being with us today. So, I actually wanted to continue both Council Member Brewer and Council Member Brooks-Powers line of questioning around you know racial equity and rentals. So, in a report several years ago by the Regional Plan Association, they proposed a rent credit as a way to deal with the disparity that renters face in the City of New York and by the way, I'm trying to start my video but the host has to let me.

So, I wanted to — my first question is whether the Administration would be supportive of a rent credit for renters as a way to deal with the unequal tax burden that they face and that is difficult to sort of you know get at through other policies with the supportive rent credit?

PRESTON NIBLACK: Thank you for that Council Member Sanchez and I'd say great to see you but it's great to hear you at least. So, as I mentioned, the Commission didn't make a proposal. The problem about rent credit is part for renters as part of the property tax system is you know; you can only give the credit to the property tax owner on their taxes. And you don't really have any mechanism for ensuring that it gets passed through to the renters.

So, the normal way that this — that relief is given to low- and moderate-income renters is through a personal income tax credit and that’s done in a lot of jurisdictions. The Commission said that was outside essentially of the property tax system, so they were there for not making a recommendation about it. It is something we want to look at. It costs money and we have to again figure out like you know, all the moving parts here. Sort of how are you going to pay for it? You know, are you going to raise rates and pay for it within the system? Are you going to find an outside source etc..

So, those are the questions that we want to look at and we need to also understand you know the meaningful relief can be costly overall. You know hundreds of millions of dollars, and so, we just need to really kind of tackle that question and figure out how we’re going to address that.

COUNCIL MEMBER SANCHEZ: Right, absolutely and the RPA report did specifically recommend for the relief to come through the income tax. So, that would be a good line of discussion to continue to have with us. Okay, and then my next question is about Section 581, which makes high end co-ops and condo's you know remain undervalued. Would the Administration be in support of repealing that section wholesale?

PRESTON NIBLACK: I think repealing one section of the real property tax law is a partial solution and it doesn't address all of the inequities. So, it doesn't necessarily address the problem that are created by AV caps. If you get rid of Section 581, are you going to have caps on the assessed value growth in co-ops and condo's? Are you going to go to market value? How are you going to value them and how does that compare to Class 1 one to three family homes, the treatment of them and the tax system?

So, I think, you know we would rather take a more wholesale approach, which is more complicated and challenging but which I think you know, our goal is to really come up with a system that is fundamentally more equitable, simpler, more transparent to understand and I think we think you know, doing this piece meal isn't going to get us there.

COUNCIL MEMBER SANCHEZ: Got it, thank you. And I mean, that was my last question and I think you answered it but are there any smaller reforms that the Administration would think would be productive if we can't get at a comprehensive reform with the state?

PRESTON NIBLACK: Uh, I'm going to say that I'm not prepared to answer that question yet because I'm still holding out for wholesale reform.

COUNCIL MEMBER SANCHEZ: Got it. Got it, okay and thank you, thank you so much for maintaining eye contact with the name on the screen. I really appreciate it and thank you Chair for allowing me to ask questions. Thank you.

CHAIRPERSON BRANNAN: So, we have Council Members Restler and then Powers.

COUNCIL MEMBER RESTLER: Thank you so much Chair Brannan and Commissioner, it's good to see you and I want to thank you and your team at DOF and thank this Administration and the previous Administration and this Council and the previous Council for their leadership on this issue.

And I especially want to just shout out Comptroller Lander who has I think been leading the charge and highlighting the extreme inequities that exist in our property tax system. Some of my constituents are among the folks that benefit the most from these inequities. I represent parts of

Brownstone Brooklyn and I'd like you to help me think about how to communicate to them about some of the changes that are needed.

You know the Commission Proposal calls for transitioning to this new system over five years. Is five years sufficient to protect property owners who are facing significant tax increases? Should the length of that phase in be proportional to the size of the increase to help protect homeowners against potentially massive increases in their property tax bills?

PRESTON NIBLACK: So, the question of the transition and time is I mean I think you know five years was a kind of reasonable balance between people who you know really want reform right now and believe they're overpaying and want to see their taxes lowered and people who might face increases and who you want to phase in gently as possible.

As I said, I do think that there are some households that are going to see increases that are very substantial and that five years you know, may not be enough. And we do have to think about some — how we're going to address that. We have to get a handle on sort of how big, how much and think about what it would cost.

In general, I'd rather avoid a sort of differential phase in rates because it becomes a nightmarishly complex and it gets — it makes people feel as if they're not being treated equitably and equally in the reform. So, I'd rather I think take the approach of having one phase in rate and then trying to address sort of the extremes that where the phase in will nonetheless after five years leave people substantially worse off than they were.

COUNCIL MEMBER RESTLER: I think it would be a hard argument to make to folks in our community but I'm open to trying to help think through solutions for the folks that are really facing some extreme increases and how to phase that in in a reasonable fashion.

PRESTON NIBLACK: Fair and I think we want to keep in dial — continue to have a dialogue with you all about that because we recognize the issue.

COUNCIL MEMBER RESTLER: You know I mentioned the Brownstone Brooklyn folks in our community who would probably face some serious challenges with the Commission's recommendation or facing serious costs.

With the Commission's recommendations constituents of mine in South Williamsburg are clamoring for these changes. Homeowners in Williamsburg have been paying a disproportionate share of property taxes for years. I know that your colleagues have met with UJO more times than they can count, including some of the folks sitting behind you today. I appreciate your all's patience. But by UJO's analysis, DOF has imposed three times as high property taxes on condo's in South Williamsburg compared to the values of similar homes. And you know because of the totally distorted ways in which we compare condo's, condo taxes to rentals. These are condo's that don't have any amenities. Are not like the luxury condos of the north side of Williamsburg but get compared to similar rental housing stock up there. I appreciate that the reforms that the Commission has laid out you know would address some of these issues but what steps can the Department of Finance take right now to help homeowners in South Williamsburg condominiums who are paying extremely high rent, tax bills relative to what they should?

PRESTON NIBLACK: I mean I've also participated in some of these meetings as well as the DOF staff over the years. I — you know we recognize the points and I think we have a fundamental disagreement about the sort of the taxation comparables that are being used. You know I'm happy to continue, we'll walk you through what we've done and we're happy to sit down and walk you through it.

COUNCIL MEMBER RESTLER: I've joined the meetings and I strongly agree with them. And I you know, when I worked for the previous mayor, I joined these meetings and strongly agreed with them. So, I do think that there are serious issues that we continue to need to work through and address.

One issue that I do want to highlight that I've been quite frustrated by is, my Assembly Member Emily Gallagher had submitted a request with UJO and after many, many rounds back and forth, DOF released you know data that was you know more blacked out than you know some of the — well, I won't make comparisons to Trump but it was profoundly blacked out.

PRESTON NIBLACK: Thank you.

COUNCIL MEMBER RESTLER: Your welcome. I don't understand why the Department of Finance will not release the full formula that explains how you're getting to the tax outcomes that you are. Taxpayers should have a full accounting for how their properties are being taxed and why and to make this some, I think absurd argument of proprietary information undermines transparency and accountability for why people are being taxed.

PRESTON NIBLACK: Yeah, unfortunately the vendor who — what you were blacked out on that far request where the screens from that software that you used as part of the computer aided mass assessment and the vendor declined to allow us to share them. So, they are proprietary and I can’t legally do anything about that. I think you know the — to the extent you know that anybody can understand. The process, it was laid out clearly in the — in what was provided but you know again, happy to sort of walk through it. It's not a straight forward process.

So, I’m happy to walk through it with anybody and you know explain how it works to the best that we can.

COUNCIL MEMBER RESTLER: Well, I look forward to taking more of your time to work through these issues because I don’t think we’ve yet reached resolutions that our constituents demand and deserve. I just was saying your team came out to an event of ours at a middle-income kind of co-op in our district and were incredibly helpful and provided great resources to our constituents and I just really appreciate it.

PRESTON NIBLACK: Great, glad to hear it.

COUNCIL MEMBER RESTLER: So, thank you for that and look forward to more to reflect that in future.

PRESTON NIBLACK: Thank you. Glad to hear it.

CHAIRPERSON BRANNAN: Council Member Powers.

COUNCIL MEMBER POWERS: Thank you. I just want to echo Council Member Restler's comment. That I also have a District that has been fortunate I suppose when it comes to the current tax system but also, we hear often about the burden on folks as well and I think any plan that extends that change would be much easier for the folks that do have already feel like they're paying a lot and not to undermine the fairness argument of this but obviously there's a cost to people and they deeply need to know it's not going to hit them all at one time.

Uhm, and two questions and just in the respect of time. Number one is the issue that Council Member Brewer raised about renters and the impact on rental properties and how that might go down. Obviously, there's some protections on folks who are rent regulated about what the change in rents can be but for folks that are paying high rents in my district for instance. Young families trying to keep Manhattan as their home, trying to send their children here. Is there a protection or how would the Administration perhaps recommend that renters are protected against a change to the rental property taxes and how that might then be passed along to their rents?

PRESTON NIBLACK: Uhm, I mean as I said, the Commission didn't make a recommendation. We're concerned about the impact on renters of tax reform and you know the position of Class 2 large rental buildings that currently the reform, the Commission left untouched. You know the Mayor is concerned about the position of renters citywide and I think wants to find a solution for them and I don't have a recommendation for you right now.

As I said, the problem about doing it within the property tax system is you can't guarantee that any reduction in taxes gets passed on. So, you know, it probably has to be a mechanism that's outside of the property tax system. We just have to sort of you know again, kind of work through the details and come up with a proposal that we think works and is affordable in the context of reform.

COUNCIL MEMBER POWERS: Thank you. I just wanted to go back to something from Council Member Carr earlier when he talked about like neutrality of the cost of this.

Is it the position of the Administration that this should be revenue neutral? Or I know you said it’s up to us. It’s actually up to state legislature and unfortunately we have to pay for it. So, who is, what is the position of the Administration right now?

PRESTON NIBLACK: I don’t know that we — we haven’t really taken a position about that. I think we’re where we want to end up here is to be able to say to you all, if you want to raise revenues, here are the options for doing that. If you want to lower revenues, you know, here are the options for doing that. And I think we just want to understand you know how we would go about it, Who would pay less, who would pay more. I think you know, we don’t necessarily; we’re not wedded to revenue neutrality but we are wedded to doing an analysis so that we fully understand the consequences of what we do.

COUNCIL MEMBER POWERS: Understood. My concern is that those who do not have to pay for it may perhaps take the expensive route to solving the problem. I had one more question and we have the City Comptroller here and he, I think we'll be hearing from him shortly. He has proposed a property tax reform that the property tax reform should address the issue of 421A, tax break. Basically, the higher effective tax burden on rentals versus condo's makes it difficult, impossible or unlikely perhaps to develop rent a buildings without in absence of a tax break.

His idea is that addressing the disparity would remove a reason for 421A in turn, allowing for what of that tax breaks to be more efficiently creating affordable housing. I don't know if I summoned that up Comptroller. Do you guys have a position on that proposal? And I mean I know 421A or some new iteration of that program is something you guys care about and will be advocating for in Albany but have you guys evaluated that? Do you have any position on that proposal?

PRESTON NIBLACK: I mean we were big supporters of the governor's proposal as I said in the last session and you know it will be a high priority to get some kind of proposal in the next session. I'm not familiar with all the details of the Comptroller's proposal yet, so I can't comment specifically on it. But you know we, I think we recognize that there's going to be a need for some solution to incentivize the construction of affordable housing, as there has been in the past. And you know it can be — it doesn't have to be done with property tax reform but it has to be taken into account in property tax reform.

So, I think it would be good to think about them together even if they don't necessarily act on the same — go for it on the same timeline.

COUNCIL MEMBER POWERS: Okay. That's my timer, thanks.

CHAIRPERSON BRANNAN: Thank you Commissioner. Can we get DOF to commit to briefing us say every quarter on an update on where we're at?

PRESTON NIBLACK: Sure, yes.

CHAIRPERSON BRANNAN: Okay, I mean, ideally I'd love to you know have the Council join with the Mayor to go up to Albany and make this a real priority.

PRESTON NIBLACK: I mean, there's no other way that we're going to get it done. I think I agree. So, we, we absolutely we will — I mean, we will certainly be — as we you know wrap up our analysis, we will bring that to you and then we will start talking with you guys. I mean, this is really something that has to be done jointly I think.

CHAIRPERSON BRANNAN: Absolutely.

PRESTON NIBLACK: So —

CHAIRPERSON BRANNAN: Alright, thank you Commissioner. Thank you very much.

PRESTON NIBLACK: Yup, alright, thank you.

CHAIRPERSON BRANNAN: We will now have the Comptroller, Brad Lander.

BRAD LANDER: Good morning.

COMMITTEE COUNSEL: Please raise your right hands. Do you affirm that the testimony you will give will be truthful to the best of your knowledge, information and believe.

BRAD LANDER: I do.

FRENCESCO BRINDISI: I do.

COMMITTEE COUNSEL: Thank you.

CHAIRPERSON BRANNAN: Good morning sir.

BRAD LANDER: Good morning. Good afternoon. Thank you Chair for convening this hearing. Council Members Ayala and Powers, good to see you and to the Committee Counsel and staff as well. I'm New York City Comptroller Brad Lander. I'm joined today by our Executive Deputy Comptroller Francesco Brindisi, who is also much more knowledgeable than I am about the intricacies of this complex property tax system. We have a little power point presentation, which is now up on the screen. Members, I believe there's hard copies for you and for members of the public listening, it's available on our website at comptroller.nyc.gov now and you can look at it there.

Uhm, uh, but I really want to thank you for convening this hearing. One bit of good news is in many ways we're really building on a pretty broad alignment with what the Administration of the Department of Finance said earlier. And we think this is a critical moment. This is as you've pointed out Mr. Chair, such a hard issue to get one's head around and then build a coalition to make political progress on.

But there's a few reasons and if you go to the next slide, that we think this is really a key moment to do it. Which is why we're so glad that you're — uhm — you know first, even though it came late in the de Blasio Administration with only three days to spare, the Advisory Commission really does outline the key features for fairness with protections for vulnerable homeowners.

421A expiration I think is critical. I know you asked Council Member Powers and it makes sense. You know, can we pin, you know should 421A be pinned to property tax reform but realistically in Albany, I think it's likely to go in the other direction. There's going to be enormous pressure in Albany to do something that makes it in the eyes of those who do it possible to develop multifamily rental housing. And I think the key will be to make sure that property tax reform does not get lost, as it so often does and those things really have got to be tied together.

You know, now the Governor and the Mayor are both early in their terms. That's a good time to try to do something hard. Neither of them facing election for a little while yet, so that's a good time to try to do it.

One thing I would say is, I don't know that it needs to be that the city needs to first figure out the proposal. This is going to take Governor, Mayor, Legislature, City Council, all collaborating. That is not an easy thing to do but it may be that there needs to be some form of collaboration and dialogue to develop the proposal, which ultimately will be state legislation. And of course, state legislatures just like each of you, the ones from the city, represent New Yorkers impacted here.

Uhm, and then obviously this is a good moment I think to do two things and we'll get to this in the proposal. Length is longstanding concerns of overtaxed outer borough homeowners disproportionately homeowners of color. But also, let's focus on pathways for new affordable homeowners, something that we really desperately need in the city and we've got a proposal at the end of today that we think can make this a real good opportunity to do that.

As you know there really is a broad coalition here. Next slide please. Uhm, I don't think that uhm, the Minority Leader Joe Borelli and I have ever teamed up on an op-ed before but we did recently have one in the Daily News on the reasons why it's time to repair our unjust property tax system and we put a great coalition together on the day 421A expired that Mr. Chair you were at and we had the Chair of the State Senate Finance Committee as well, Liz Kruger. We had folks like me and then Council Member Restler mentioned this, who represent homeowners who are relatively under taxed. I am a New York City homeowner who is undertaxed in the current system as a result of assessed value cap increases and yet we are teaming up with folks like Council Member Riley and Council Member Borelli and you and folks from Southeast Queens whose homeowners are overtaxed. Because this is not just about the fact that people are overtaxed and deserve some relief. This is about the fact that our core revenue, our core property tax is deeply inequitable and you just can't build a city around a fundamentally inequitable tax.

So, over time, my neighbors and I are going to have to pay something more like our fair share. We need to do that right and thoughtfully but we do need to move forward and do it and that's why there's such a broad coalition of people from all five boroughs from both parties from neighborhoods that are both under and overtaxed.

So, we're going to outline today the outlines of our proposal on the next slide. And again, what we really think is critical is to link you know what we think up here as homeowner property tax reform with multifamily property tax reform. Francesco will go through our perspective on homeowner property tax reform, which is quite largely what you heard from the Finance Commissioner. Tax priority among homeowners, a gradual phase in and thoughtful protections for potentially vulnerable homeowners. We have a couple of thoughts there that build on and go a little further than the Commission and then I'll come back and talk about multifamily property tax reforms since I've been tilting at the windmill of 421A for over 20-years now. But we have some thoughts here from multifamily property tax reform that reduces the tax rate on new rental development. It takes a smarter approach to tax breaks for affordable housing. And then in place of the — one of the worst parts of 421A, that 130 percent AMI program puts in place essentially a new model for multifamily affordable cooperatives on the kind of a 21st Century Mitchell Lama.

FRANCESCO BRINDISI: I'm going to take it next. So, the next slide, you know, you've heard it from the Finance Commissioner. You know we're building our proposal on the recommendations of the Advisory Commission and you know there are good things, the good work that the Commission has done and we highlighted the disparity in tax treatment because difference in evaluation. It has a proposal to group together the Class 1 properties, co-ops and condos and small rentals mostly and value them all at the same — with the same methodology and they are together because they currently are taxed at the senior median tax rates.

And you know, we all know that the system is confusing. It's very difficult to figure out where your taxes are coming from and how to calculate them and it's got differences in the tax rates across geographies and different properties. Next.

Uhm, so uhm, you know as highlighted, uhm, there are currently one, two, three, family homes. Class 1's are assessed as if you know based on comparable sales whereas co-ops and condos are assessed as if you know based on comparable rentals. Whether that [INAUDIBLE 1:45:39] transparent enough has been asked previously by Council Member Restler. And uh, the fact of the matter is that this leads to Department of Finance, and by the way an estimating market values that for co-ops and condo's sort of are on average one-fifth of the true sales space market value. And the higher is the value of the property, the lower is the percent that's captured in the market value estimate from Department of Finance. Next.

Another reason why the system is complicated is there are fractional assessments and target ratios. We've heard about the six percent for Class 1. We heard about the 45 percent for you know Class 2 and 3 and 4. So, it's really difficult. Even if you knew what your value is, you know how to translate it into a tax. And so, you know that's one thing that probably should be uhm, it should be removed from the system in order to make it more transparent. Next please.

The growth caps, Class 1 and Class of small rentals, they are assessed based on a target ratio of six percent for Class 1 and 45 percent for the small rentals there in Class 2 but their assessed value cannot grow more than six percent in any one year or

20 percent over five years for Class 1 or eight percent in any given year and 30 percent over the five years for the small rentals.

So, for places where there's a lot of appreciation of market value, the assessed value captures less and less of that appreciation and the way that the system works is that that taxation is registered towards other properties that are not being — that are not appreciating as much. Next.

So, this is the proposal that we support from the Advisory Commission, aggregating Class 1 and Class 2 co-ops and condo's and small rentals because they are currently taxed at relatively similar rates, although they are on average, although there are wide disparities within these classes and the fraction assessment and then you know, taxed at you know one tax rate based on the sales base value. Which you know all the properties are going to be assessed uniformly and this will remove the disparities that we're seeing now for these properties over time. Next.

Of course, there is a need to avoid large changes and to protect homeowners with the target attacks that are highlighted in the report from the Advisory

Commission, the Homestead Exemption that targets incomes up to half a million dollars and for only for primary residents. So, it shifts some of the burden to nonprimary residents of the city and circuit breakers were for lower income, so that your taxes does not go above a certain percentage of your income.

You know as part of any transition mechanism, there should be a reset on sale, meaning that properties transition into the new system as they are transacted. There is additionally in the report the consideration about doing on top of the reset on sale, there is a consideration about doing the transition within five years regardless of whether you transacted property. That is something that certainly needs to be looked at. There are you know options to transition just with recent sale and there are options to protect homeowners by deferring their taxation. For instance, should there be a large increase over time.

BRAD LANDER: And I'll just underline this because this is the one place we go a little further than what is in the Commission report. In order to address this issue of transition, uhm, that you could do one of two different things to slightly better protect homeowners who are going to see like myself, than other people in our neighborhood who might be on fixed incomes. One, you could say look, “Your rate will go up over five years but you can defer your additional tax burden until you sell your property.” So, it’s not that it’s being reset but it would just, you would have to pay it when your property sold and a lot of folks in my neighborhood whose incomes may be stable and not going up. Their property values have gone up dramatically and so, deferring that until they sell would mean the city would eventually collect it. You could apply the interest rate that the city applies to unpaid property taxes but not as a penalty essentially as a way of financing the increase. Or you could just wait until and reset properties on sale, rather than over five years. That would obviously delay the benefits and then it’s harder to give relief to people who need it and deserve who deserve it but you could address some of the challenges. So, those are just two additional sort of ideas that we flesh out a little here on top of what the Commission did.

Okay, I want to now to the multifamily. I'm not going to spend a lot of time here because you know that I have viewed 421A as just you know a boondoggle, $1.77 billion a year for scant housing that's actually affordable to working class and low-income New Yorkers. So, I think it's a good thing that it expired in the spring but we do need to attend to the underlying problem. And as you can see on the next slide, you know in many ways the underlying problem is that as part of our broader property tax system, if you're going to develop a new, a vacant lot, if you build it as condo's, you will pay a significantly lower tax rate than if you develop it as rentals. And it functions as a significant disincentive to the development of new rental housing, making it much more difficult to do.

So, on the next slide, our proposal there and this is not in the Commission's report, is to create essentially a class of new residential properties. Properties developed after the implementation date of the reform. They would be taxed at one percent essentially at the same tax rate that's being proposed for a Class 1 before exemptions like the circuit breaker. And if you just do that, if you treat both forward going condo's and forward going rentals with the same tax rate as proposed for the new homeowner class of one percent, you essentially reduce tax burden on new rental buildings by about one-third. And whereas right now, you've got a significant differential where condos are taxed less. New condo's will be taxed less than new rentals, you bring them roughly into parity. You can't get perfect on it but you both you know reduce the tax burden on a new rental by about one-third and make the tax burden that that building would face if it's a rental versus a condo, about even. You can see that on the next slide as well.

It's a little different in core markets and hotter markets like Manhattan and Brownstone Brooklyn versus non-core markets, but you can see here currently in core markets that rental building that's going to be paying above two percent versus the condo that was probable — it would likely be paying below one percent, half the tax rate. Afterwards, they're pretty close to even. They both hover around one and you also get closer in noncore markets as well for reasons Francesco can explain. You can't get to a perfect parity but this proposal gets much, much closer.

This next slide, so the benefits of that are — this is before you get to questions of affordability. This just makes it more possible. The lower tax rate makes market rate rental housing production significantly more possible in both core and in non-core markets. For all market rate housing, you will then collect some property tax income. We estimate up to $100 million per year on average that wasn't being collected under the 421A system. That then leaves the question, okay, so reduced rental taxation burden by about one-third for new development but what about the challenges of building affordable housing? And our proposal there is on the next slide.

And what we say here is that in core markets where something like an MIH building or an 8020 is being developed, uhm, let's give HPD the power to underwrite a tax exemption for that building based on the actual cost. The land and labor cost and the actual affordability being promised. This is what HPD does, they underwrite. And so, rather than have an as-of-right tax break, that in many cases provides more that is necessary, underwrite those MIH tax breaks. I think there were only like six of those developments in the last couple of years of 420A, so we're not talking about an enormous task to do it.

And then, outside of the core markets and for HPD's traditional affordable housing programs, those tax breaks com as-of-right. Of course, if you're building under ELI extremely low income or SARA, the Senior, you get an as-of-right tax break. If you're doing something that's largely market based, your tax break is underwritten by HPD to make sure we get the right amount based on the cost and the affordability. And then you can make sure that those buildings are feasible to develop and get the tax treatment that they need without providing a $1.8 billion giveaway for buildings that don't need it and those tax exemptions can also factor in the prevailing wage for building service workers and if it's a project where that's being constructed pursuant to prevailing wage or a PLA, HPD can factor that in to the underwriting. And we took a little look here and show that those options make affordable housing production feasible with the reduction of 30 percent on the market rate units essentially and the additional tax break that HPD can underwrite on the affordable housing.

The last feature we're proposing, I think in some ways is maybe the newest. Something we hadn't put out in the spring and I think in some ways, the most interesting. Because one challenge we felt existed is, one of the most — the hardest to justify elements of 421A was the 130 percent AMI program, which was basically a full tax break for development at 130 percent of AMI. In old 421A it was rentals. In the 485W proposal the governor made, it would have switched to condo's. But still at 130 percent of AMI, which is basically at the income percentile, the upper 25 percent of New Yorkers.

Like it's not affordable to 75 percent of New York households. And the vast majority of households in the neighborhoods where that product was being developed, which is why there was such opposition to it. But of course, we do want affordable production in those outer borough and working class and middle-income neighborhoods.

So, what we propose on the next slide, is to use this as the place to bring back, you know to have our 21st Century Mitchell Lama program. Let's establish a multifamily outer borough product, which gets a full tax exemption and it will also need HPD subsidy to build new, affordable, multifamily cooperatives. Sales prices from moderate income buyers in the 80 to 100 percent AMI band could cross-subsidize opportunity for home ownership in the 50 to 80 percent band and you would have them be permanently affordable on a model that says okay, if that unit was affordable to somebody at 50 percent when it sells today, ten years from now, it's affordable to somebody at 50 percent ten years from now. We have some modeling that shows this is still a really attractive way for working middle class homeowners to build equity but it keeps those units permanently affordable over time. We estimate that if you put over say, four or five years $1 billion in capital subsidy on the table, that you could — the number is in here, create nearly 5,000 units of truly and permanently affordable homeownership through multifamily development in the outer boroughs. That's roughly comparable to the 130 percent AMI units that were created from 2017-2020. You do need capital subsidies but what you get is permanently affordable homeownership instead of something that is basically market rate.

So, that's the additional proposal that we make here and we think it goes along nicely. You are both providing tax relief to existing outer borough homeowners and bringing in play a new affordable homeownership option for a set of New Yorkers that otherwise are simply not going to have any options to buy in New York City.

So, that's our proposal. Thank you guys for having this hearing and for doing it in advance of the legislative session. We just really need to make sure that we don't lose the momentum here and I appreciate the opportunity to testify today.

CHAIRPERSON BRANNAN: Thank you. What else can the city be doing knowing that holistic reform is going to take Albany's, ultimately Albany to get done. What else should the city be doing or can the city be doing?

BRAD LANDER: Well, I think what you, you know your dialogue with the Finance Commissioner was important. Obviously one critical element, I mean, you know the Mayor is the Chief Executive of our city and having him make clear that this matters and that he wants it and that he's pushing for it, I think is probably number one. I think there is an opportunity for the governor and the mayor to partner but certainly, you could imagine the mayor is making clear we broadly support this. Let's sit down and I guess one thing, I don't know that we have to work out all the details. I don't know that DOF and the Mayor have to get every detail worked out and then go to the governor and the legislature and say, this is what we want.

I think this might be an opportunity to say, we support this broad framework. Let's create some dialogue because the legislator is in Albany who are from the city, just like all of you share those same concerns. So, you know maybe there's some opportunity for the Council to work with the legislators alongside the Mayor, working with the Governor. And rather than have one person try to solve all these problems, create a space for dialogue to solve them together.

CHAIRPERSON BRANNAN: Thank you very much.

BRAD LANDER: Thank you so much.

CHAIRPERSON BRANNAN: Questions from Gale.

COUNCIL MEMBER BREWER: I have a question. In terms of the affordable housing, I know 421A well. I know how it works. I've been involved with it for about 30 years. My question is, if you're suggesting that it be replaced with one of your programs that you suggested there, would that be a long-term tax abatement for that kind of housing? Because 421A ends as you know and then you're pretty screwed in terms of the residents who are there. How would it work in terms of long-term affordability?

BRAD LANDER: Yeah, so, first what we're proposing is essentially a 30 percent reduction in the base rental housing development rate for new development that would be permanent. I mean that would be the new base tax rate. So, that's a significant reduction that would not expire. That would be the base tax rate and so, that's number one.

Uhm, and then, for individual developments that get underwritten, generally their regulatory agreement is the same length of time as their subsidy package and at the end of that period of time, you need some sort of renewal. Sometimes you need to recapitalize the building because more money is needed and goes in. But you know, I think our proposal is to tie the tax treatment to the affordability and so, so long as at the end of that period of time, you entered into a new or additional regulatory agreement, you could continue to get the tax break.

So, you know as long as you kept providing the affordability at the same cost structure, you would still have it. And then, for this new Mitchell Lama model that we're proposing, that would be permanently affordable. You know, this means if you're a person at 80 percent of AMI and you were able to buy that unit for $200,000 or $250,000, maybe ten years from now you're restricted and you can sell it for $300,000. So, you make some money but it's still affordable for the next purchase and the favorable tax treatment, the tax exemption we're proposing there like the affordability would be permanent.

COUNCIL MEMBER BREWER: This Mitchell Lama program would something about boroughs versus Manhattan. What was that about?

BRAD LANDER: No, no, no. So, fair enough. The proposal that we're making for this new model would be available everywhere in the city. What I — what it's kind of conceptually replacing is the 130 percent AMI program of 421A and that was an outer borough program. But what we're proposing would be available —

COUNCIL MEMBER BREWER: The only thing about Mitchell Lama's, which I know only too well, when they're co-op, if that's what you're suggesting is the co-op board had oversight over when they go private. That would not be in your particular proposal? Because that's how it works now.

BRAD LANDER: Yeah, we don't propose to have a privatization option in the model that we're creating. I will say, the model we're proposing has more upside for a cooperative homeowner than Mitchell Lama currently does. In Mitchell Lama, you basically get out what you put in. You don't see any appreciation. The model that we're proposing and we'll have some more details on this soon, uhm, allows you some appreciation.

COUNCIL MEMBER BREWER: Right but I'm talking about the Mitchell Lama's that buy out get plenty of appreciation.

BRAD LANDER: Oh, yeah, yeah, yeah, but Mitchell Lama's that stay in and God Bless them, over 90 percent of Mitchell Lama co-operators have opted to stay in the system even though they could make money by privatizing but when they stay in, you don't really see growth at all and the model that we have on the table allows some appreciation. You don't get to go to market but you do see — so, you know there's a little more in it for the co-operators than is in it for the co-operators for Mitchell Lama.

COUNCIL MEMBER BREWER: Thank you.

BRAD LANDER: Thank you.

CHAIRPERSON BRANNAN: Thank you Comptroller.

BRAD LANDER: Thank you very much.

CHAIRPERSON BRANNAN: Next up, we have the inevitable Commissioner James Parrott.

JAMES PARROTT: Good afternoon.

COMMITTEE COUNSEL: Good afternoon. Please raise your right hand. Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

JAMES PARROTT: I do.

COMMITTEE COUNSEL: Thank you. Please begin.

JAMES PARROTT: Good afternoon Chair Brannan, members of the Committee and Council. My name is James Parrott. I'm the Director of Economic and Fiscal Policies at the Center for New York City

Affairs at the new school. Thanks for the opportunity to testify today.

I was honored to be a member of the Advisory Commission on property tax reform that deliberated for the better part of three years. We held two rounds of public hearings in each borough, in addition to several hearings where we took testimony from local and national property tax experts. We deliberated at length in two dozen or so executive sessions where we discussed detailed and thorough presentations by the expert tax policy staff from the city's Finance Department, the Finance Committee Staff of the Council and from OMB.

We issued a preliminary report in January of 2020, then following a yearlong COVID-19 hiatus, we resumed our work in 2021 and released a final report last December.

We were always mindful of the historical urgency that motivated the need for far reaching property tax reform in the first place. As the final reports executive summary states, our general approach was to strip the system of the features that led to structural inequities, reconstruct the system to align with the core principles of fairness, simplicity and transparency. And then provide owner relief mechanisms and protections to help ensure low- and moderate-income owners have affordable tax bills and that primary residents are not displaced from neighborhoods that they had called home.

Our reports documented the extreme disparities ineffective tax rates, where in many very valued properties have far lower effective tax rates than homes and apartments at modest value. The reports also documented how these disparities played out across the five boroughs. Our recommendations first and foremost, use structural reforms to equalize effective property tax rates for resident owned nonrental properties relative to sales space, market valuations. That is to address horizontal inequities. But we also pointed out how two targeted owner relief programs, the circuit breaker and the partial homestead exemption could be used to introduce an element of vertical equity to lessen the regressivity of property taxes relative to income. The partial homestead exemption embodies the pied-a-terra tax concept of higher taxes on nonresident owners.

Primary resident owners can exempt a portion of the value of their home from taxation and we suggest that that exemption be limited to owners with incomes less than $500,000. By virtue of their nonresident status, pied-a-terre owners would not be eligible for the homestead exemption and they would generally pay much higher effective tax rates than they do now.

The rubber meets the road in our reforms in the final section of the final report pages 46-49. I urge you to review this section if you haven't already and study the before and after effective tax rates presented in Tables 22-24. You will see there that not only do these recommendations correct for the longstanding inequities in our property tax system and deliver horizontal equity but they also, particularly through the option for a 30 percent graduated marginal rate partial homestead exemption introduce a progressive dimension to our property tax structure.

You won't find anything like that in other local property tax systems around the country. For example, in Table 22 on page 46, which shows before and after effective tax rates by sales base market value, the effective tax rate for properties under

$200,000 would be cut in half or more while properties valued over $5 million will have their ETR's effective tax rates increase by 63 to 109 percent. After reform, ETR's rise with sales-based market value.

Table 23 shows ETR's by primary resident owner income. The graduated homestead exemption would reduce ETR's by 25 to 75 percent for incomes below $75,000 and raise ETR's by 26-45 percent for households with incomes over $1 million. After reform, ETR's rise with income.

Table 24 shows before and after ETR's by borough. With a graduated exemption, the median ETR for primary resident owners in Staten Island would drop the most by one-third, while it would decline by 30 percent in the Bronx. In Queens and Manhattan, ETR's for primary resident owner parcels would decline by about 24 percent.

Because of offsetting changes depending on neighborhood, the median ETR in Brooklyn would inch up from $0.64 to $0.65 per $100 sales-based market value. These reforms would redistribute approximately $1.8 billion of the property tax burden within this new owner residential class. The direction of that redistribution is generally upward. Please do not let this opportunity pass. I urge the Council and the Mayor to work with our representatives in Albany and the Governor to achieve historic, permanent property tax reform in the next legislative session. These reforms will not only correct the inequities that have persisted for four decades but also give New York City the first residential property tax system with a progressive component in the nation.

As you know, there is a tremendous amount of cynicism regarding the longstanding failings of our property tax system. Many people have addressed that this morning. If we fail to enact reforms now, that cynicism will persist and this body will bear some responsibility for that.

Thank you for the opportunity to testify.

CHAIRPERSON BRANNAN: Thank you. Do you agree with Department of Finance saying that they need to take another look now because of COVID, impacts of COVID?

JAMES PARROTT: I tend to agree with the way Comptroller Lander addressed that. That we know, we certainly know enough now about the inequities that we should start the process of pushing for reform and there will be changes in the proposals if we go along. The very expert staff at the Department of Finance Tax Policy Unit, I'm confident can handle the necessary analysis.

CHAIRPERSON BRANNAN: What issues did you not get to address that you wish you would have been able to in the Commission?

JAMES PARROTT: Well, uh, so there were several although I you know certainly agree with our keeping the focus on the need for resident owner property tax reform because the disparities there are so great. We discussed the need for providing relief to renters, given that they pay a portion of the property tax burden. We ask experts from around the country how to best provide relief to renters from a property tax system. The consensus was that you could really only do that through a personal income tax system. And yet, given our mandate to focus on the property tax and to be revenue neutral, we didn't go there.

The Council and the State Legislature is not bound by that same restriction and should give some consideration to renters credit, number one.

We also did discuss business property tax incentives, economic development property tax incentives in this city. I would say, I don't think I've spoken of school here. There was broad consensus among the Commission that there was need for a pretty comprehensive reform. But again, we wanted to keep our focus on the residential property tax system, so we didn't go there.

Third, we also noted, I think as was mentioned earlier, that there are many — that there's a lot of real estate property owned by very wealthy charitable institutions, particularly in Manhattan. There are examples from other parts of the country where pilot payments are made by similar you know large, charitable institutions to help support the services that those institutions tremendously benefit from.

We did make a suggestion about — we did talk about the possibility of having a public service fee as a way to recoup some funding to cover expenses but we did make a firm recommendation on that. So, in those three areas, there's certainly more work that needs to be done. But again, in the interest of ensuring that at a minimum we get you know comprehensive property tax reform. I think that should be the primary focus. These other issues do need to be addressed over time.

CHAIRPERSON BRANNAN: What do you think the next step should be here for us?

JAMES PARROTT: Well, you know as has been suggested, I think it would be appropriate for the Council and the Mayor to get together and make a proposal to Albany on this and for the Council to work with the state legislative members from New York City to get their support. Hopefully the dynamic in Albany will be such that the respective committees in the Senate and the Assembly will defer to the interest of New York City leaders and elected officials on property tax reform and not try and move other agendas that they might have or be interested in.

So, I think if there is so to speak a united front from New York City on the primacy and the urgency of doing this, that there's an opportunity that would get serious attention in Albany. In Albany next year is not an election year, so it's a good opportunity.

CHAIRPERSON BRANNAN: Gale, you have any?

COUNCIL MEMBER BREWER: I know you talked about renters as something that has great concern to me. Were there any suggestions that came up as to how to address that issue? Because at least in Manhattan we're facing as I said, post-pandemic. You know people are moving around so fast, it's very, nobody can be you know sustained in their community. So, were there any suggestions that came out of that or did it kind of get kicked down the road?

JAMES PARROTT: Yeah, uhm, I mean, there was discussion of the possibility of doing that through the personal income tax. New York State already has a very modest circuit breaker for renters. That could be expanded. Given that two-thirds of city residents do rent though, it's enormously expensive to do that, even if you you know, tightly limited the income eligibility for that.

Uhm, you know I'd be happy to offer a suggestion you know that I have on this. This is not necessarily reflective of discussions in the Commission. I did reference the operation of the homestead exemption as uh, you know it does have an element of a pied-a-terre taxing concept in it. But not at a very progressive rate. So, you could have a steeply progressive rate for pied-a-terre units and use the proceeds of that to fund a renters tax credit through the personal income tax.

Given the amount of revenues it would take to really provide a meaningful you know renters credit, you would probably have to look at other revenue sources as well and that's where you could you know revisit the property tax exemptions that we give for economic development.

It was really unfortunate to see the governor push through the Penn Station redevelopment deal premise on basically giving way part of the city's commercial property tax base to commercial real estate speculation in the Penn Station area. We should learn from the past and not repeat mistakes like that. So, maybe we can get some revenues if we stop doing deals like that.

And third, you know there's also a potential for some revenue if large, wealthy, charitable institutions can start contributing something to the New York City services that they benefit from.

COUNCIL MEMBER BREWER: Thank you.

CHAIRPERSON BRANNAN: Commissioner, thank you so much.

JAMES PARROTT: Thank you.

CHAIRPERSON BRANNAN: Thank you. Now we have George Sweeting from IBO.

GEORGE SWEETING: Good afternoon. I know the drill.

COMMITTEE COUNSEL: Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

GEORGE SWEETING: Yes.

COMMITTEE COUNSEL: Thank you. You may begin.

GEORGE SWEETING: Uh, now good afternoon Chair Brannan and members of the Committee on Finance. I'm George Sweeting, Acting Director of the New York City Independent Budget Office and I thank you for the opportunity to appear before you. The Advisory Commission has produced a thoughtful set of recommendations to be considered by the law makers. Supported by invaluable data analysis documenting some of the biggest problems with the system.

Nevertheless, the charge from Mayor de Blasio and Speaker Johnson to the Commission, that its recommendations be revenue neutral and its own decision to limit the scope of its work to the treatment of residential properties, left other significant disparities largely unexamined. The fact that the Commissions final report also obscures some of the distributional impacts of the proposals is a further limitation.

The Commission's biggest structural recommendation would consolidate several types of properties, co-ops and condo's, one to three family houses and small apartment buildings with two to ten units into a single new residential class. All properties in the class would be valued using sales thereby ending the confusing and counter intuitive requirement that co-ops and condo's be valued using punitive capitalized net income as if they were rental properties.

Limits on annual assessed value growth for properties in the new class would be eliminated and replaced by five-year phase in's. These changes would eliminate two of the most glaring problems in the current system. The present treatment of co-ops and condo's is confusing and opaque. It presents assessment challenges for the Department of Finance and obscures how low co-op and condo effective tax rates are. Particularly when taking into account the co-op condo abatement, which the commission recommends eliminating.

Effective tax rates measure the amount of tax owed as a share of the value of the property. Ending the limits on annual assessment growth would eliminate the primary cause of unequal ETR’s among neighborhoods for one to three family properties while still providing taxpayers with some protection from rapid appreciation.

Because of the requirement that the total package be revenue neutral, these changes would create large shifts and tax burdens among taxpayers. Unfortunately, there is no presentation in the Commissions report of the numbers of winners and losers under their proposals. Nor of how they are distributed by neighborhood.

By reporting on the median change without additional detail on the distribution of the change, the report obscures how large the typical tax increases would be in some neighborhoods. To give some sense of the magnitude of the shifts involved, I have attached a map to this testimony that shows the results of a simulation that IBO did in 2018 as the Commission was getting underway.

This looks at a proposal to equalize the tax burden among one to three family properties while generating the same amount of revenue. The impact of this scenario is not that different from the Commissions proposals for one to three family homes. If you look at the map, which is the last page, the key takeaway here is that the areas in blue are areas; these are neighborhoods in the city that the effective tax rate is going down and there are a very large percentage of properties in those neighborhoods see increases and the more red a neighborhood is, the more number of losers there are in that neighborhood and the dollar amounts are in many cases grow quite large. If you want to see the dollar amounts that go with these simulations, it's available on our website if you click on it.

According to our simulation, about 72 percent of such properties citywide would get a tax cut, while 28 percent would get an increase. Looking at particular areas, we see that virtually all homeowners in Staten Island would get a tax cut, while 98 percent of Park Slope homeowners, myself included, would see an increase. Because citywide, the number of winners far exceeds the number of losers. It is inevitable that the typical tax increase faced by the individual losers is much greater than the typical decreases received by winners.

As long as the requirement of revenue neutrality remains. The extent of these differences means it is likely that the level of support for these changes will vary by neighborhood. The Commission also proposed a homestead exemption for resident homeowners in the new residential tax class and a circuit breaker for homeowners who are still overburdened, even after the other changes. The proposed homestead exemption, which would only be available for a property that is an owners primary residence and whose income is $500,000 or less, is a common feature of property tax systems across the country. Providing an incentive for home ownership while targeting homeowners who could most benefit.

The circuit breaker, which would be applied directly within the property tax would provide additional relief to taxpayers with property tax bills exceeding ten percent of their income, provided their income is $90,000 or less.

Again, similar programs are commonly used elsewhere and would help some lower income homeowners continue to afford their homes. Being consistent with the mandate for revenue neutrality, the Commission recommends funding the homeowner relief by raising the tax rate within the new homeowner class. Although it provides neither the cost of the relief nor an estimate of how much the tax rate would have to be raised.

Recognizing the magnitude of the changes proposed, the Commission recommended that the shift to a new system be phased in over five years. While reasonable, this will in some ways make the system even more confusing during the transition period. Tax bills would be based on two numbers, the pre-reform amount adjusted for the year of the transition period and the liability under the new system with final liability based on lower of the two. The Commissions proposal to end fractional assessment and transition to full evaluation, is likely to generate additional demands on the city’s assessing corp. and the city’s tax commission staff as full market value replaces assessed value as the critical metric for properties in the new residential class.

The Commission offered few ideas for other property types, including utilities, commercial building and large rentals, those with 11 or more units. The failure to address the difference in tax burden born by large rentals compared with properties in the new residential class is perhaps the major shortcoming in the commissions work. The commissions data shows that ETR for large rentals are nearly twice as large as those on properties in the new class. Moreover, renters generally have lower incomes. The median for renters was $67,400 in 2020 versus $115,000 for property owners according to data from the Census Bureau's American Community Survey. Although tenants don't pay property tax directly, a portion of their rent is used by their landlord to pay the tax.

The amount of property tax liability that the landlord can pass through to tenants depends on the state of the rental market whether the apartment is rent stabilized and other factors, making it difficult to say how much property tax the tenant pays.

Nevertheless, it seems likely that the city's renters pay more of their income for property tax than those who own their home. The wealth of data collected by the Finance Department for the Commission could be used to provide light on this opaque area.

How to bring relief to tenants is also a question that is mentioned but not addressed in the report. Direct tenant relief would probably require using a circuit breaker operating through the income tax. And as James indicated a few minutes ago, would likely be quite expensive. The city briefly had such a credit against the city personal income tax for renters and owners that was available from 2014 to 2019.

For renters, the credit assumed that 15.75 percent of rent paid was for property tax. Although exactly how they got to that number, I have no idea. So, again thank you for the opportunity to testify and I'm happy to answer your questions. I would also say that in the interest of time, I did not discuss the proposed changes to the Class Share system, but there's some significant changes proposed there too.

CHAIRPERSON BRANNAN: Thank you. Uhm, do you agree with the suggestions that due to COVID; we need to reassess any of the Commissions suggestions, recommendations?

GEORGE SWEETING: Uhm, I think it would be wise to take a look at what that is. I'm not sure that it has to entail certainly you know a year's long delay in order to do that.

I think one of the issues that's going to you know be you know is a long-term open question for the city is what's happening in Class 4 with you know office vacancies.

If the revenue coming out of Class — the share of market value coming out of Class 4 goes down, and uhm, you know with the way the tax burden is distributed amongst the classes, you may have to be getting more money out of this new residential class than you anticipated, if there's less money coming from Class 4. Which you know I think you'd certainly want to rerun their numbers and see you know under different scenarios, what's the distributional effect of these proposed changes if you're changing the amount of revenue, you need to get out of the new residential class.

CHAIRPERSON BRANNAN: Uhm, what would be different if there wasn't a mandate to be revenue neutral?

GEORGE SWEETING: The extent of the shifts in burdens you know in this new residential class would be smaller. You would have more money to, you know to— the money could be used in order to reduce the amount, the extent of those shifts that are going on.

CHAIRPERSON BRANNAN: And with the homestead exemption, the reform commission proposed two different versions. Is there one that you think is better than the other?

GEORGE SWEETING: I think the argument that Commissioner Niblack made in terms of simplicity has some merit. I think if you had to get into looking at peoples income taxes every year or incomes reported through the income tax system every year. You know, you certainly would have some bouncing up and down I think in terms of the extent of the you know what the value of the credit would be to the individual home owners.

So, I think there's — I understand the motivation for the graduated exemption but I think there's even with clearing out an awful lot of the complexity in the system, you're still going to have a fairly complex system because you're in four classes and differences in effective tax rates. Having uh, you know an exemption that works in a pretty straight forward way probably has some value.

CHAIRPERSON BRANNAN: Do you think this is the wrong climate to be considering pilots from universities and hospitals?

GEORGE SWEETING: I'm not sure why this particular climate would effect that argument. I mean, I think this is a suggestion that's been around for many years in the city. IBO in our annual volume on budget options as included in a number of proposals around the pilots from these charitable organizations, which are the hospitals and university housing. And I think you know there are lots of examples around the country of municipalities that are able to get their charitable institutions to contribute. That doesn't necessarily vary just because we're — you know, the economy is going one way or the other way.

So, I think there are definitely opportunities there for the city certainly to consider trying to get revenue out of that sector.

CHAIRPERSON BRANNAN: Gale?

COUNCIL MEMBER BREWER: Thank you very much as always George. My question of course is when I see all that red in Manhattan. So, does that include or take into consideration those who are I guess the homesteaders or whatever it's called, owner occupied? Would it look different if you had a map with those who supposedly will get some kind of a break? I call it the Martha Stark break.

GEORGE SWEETING: Uh, yeah, so it certainly looked different. This is if you just do the — if you just equalize within the one, two, and three family homes.

COUNCIL MEMBER BREWER: Okay, thank you. Thank you Mr. Chair.

CHAIRPERSON BRANNAN: Thank you George. I will now call up Marian Roffman.

COMMITTEE COUNSEL: Good afternoon. Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

MARIAN ROFFMAN: I certainly do.

COMMITTEE COUNSEL: Thank you, please begin.

MARIAN ROFFMAN: Good afternoon. My name is Marian Roffman. I am the Executive Director of the

Council of New York Cooperatives and Condominiums. Our organization is a membership organization providing information, education and advocacy for housing, co-ops and condo's located throughout the five boroughs and beyond.

More than 170,000 New York families make their homes and our member buildings, which span the full economic spectrum from very modest income restricted housing to solid middle class apartment complexes to upscale dwellings.

In 1990, we formed the Action Committee for Reasonable Real Estate taxes to crusade for fairness in New York City's complicated property tax system. The Action Committee advocates for a clear and simple property tax with two classes of property. One residential and one commercial. We suggest that the two classes be inextricably linked by a fixed ratio governing tax increases on them. We suggest that this ratio be one to two.

CNYC and the Action Committee have participated in every examination of the city's property tax system since 1990, always seeking fair taxation for all New York City taxpayers. The five white pages that you have in your hands, are my complete testimony. The green page from which I'm reading now is an attempt at cliff notes but I will tell you in advance that if I read all of it, it comes to much more than three minutes.

We've all been here a very long time. I would love to proceed but I would understand if you prefer that I not.

CHAIRPERSON BRANNAN: Yeah, I'd like to just ask you, what do you make of the property tax reform commission's recommendations?

MARIAN ROFFMAN: That's exactly what's in my five pages. We go point by point. Some of them we agree with wholeheartedly. We don't think the homestead exemption is as complete as it should be. We think every New Yorker who opts to make their home here, who pays taxes here, who is committed to the city, deserves a homestead exemption at some level. We think that the system with circuit breakers needs to be much, much more detailed. Perhaps with social justice components with consideration for low-income families with children etc.

We would suggest a ten-year phase in rather than a five-year phase in although I've heard some very interesting comments on that because we worried about the buildings, the owners for home there would be a tremendous increase but I very much like Brad Lander’s suggestion about deferral of all or part of the increase until the owner sells the unit and/or the various comments that consider not imposing revenue neutrality just on what has been Class 1 and a piece of Class 2. We see no reason for separating the various forms of commercial ownership, the multifamily buildings, the utility products and the other commercial space. They could, should be in one commercial class.

CHAIRPERSON BRANNAN: Do you think the city should move forward with these suggestions as is and instead of letting perfect be the enemy, the good?

MARIAN ROFFMAN: It’s been my experience and an awful lot of years of fighting for reform and you know what we have had in the way of temporary solution was — is the co-op condo abatement. Which has always incrementally had to have been extended. It's been my experience that when Mayor and City Council go together to Albany, Albany has a whole category of legislation that it calls municipalities of more than a million. And so, if the city presents a united front on this is what we want for our property taxes, uhm, I think that that will be granted. I think it was very wise of you to invite the governor to attend this hearing. I'm sorry that no representative of the governor is here listening because it's been interesting.

As far as speed, I think the Commissioner eventually promised that within three or four months he will have a better idea of what things are different since COVID. So, I would certainly suggest waiting till then, particularly since Albany concentrates on the budget until that's passed in April.

So, we wouldn't lose time that way. It would be my hope that you would consider our very strong recommendation of two classes of property inextricably linked by a ratio on how their taxes would increase and I think that that would you know opening up the door to looking at the classes that were not touched upon by the Advisory Commission, would give us a stronger, more permanent, more viable program. So, I'd love to see this move fast. I was there in the 1990's when we thought we were going to have property tax reform with Mayor Dinkins first Commission. But I think we want to put forth something that's extremely well thought out in every detail and that does its darndest to treat all New York taxpayers fairly.

CHAIRPERSON BRANNAN: Gale, you have anything?

COUNCIL MEMBER BREWER: I go with Marian Roffman. Thank you.

MARIAN ROFFMAN: She's my Council Member.

CHAIRPERSON BRANNAN: Marian, thank you. We will look over all your testimony. We really appreciate this and all your hard work over the years. Thank you.

MARIAN ROFFMAN: Thank you.

CHAIRPERSON BRANNAN: Okay, now we have testimony on Zoom from Moses Gates.

MOSES GATES: Hello, is everybody hearing me over there?

COMMITTEE COUNSEL: Yes, we hear you.

MOSES GATES: Alright, thanks very much. Thank you for inviting me to testify here on the Committee on Finance on Property tax reform.

CHAIRPERSON BRANNAN: Hang on Moses, we just have to swear you in.

MOSES GATES: Oh, I'm sorry.

COMMITTEE COUNSEL: Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

MOSES GATES: I do.

COMMITTEE COUNSEL: Thank you. Please proceed.

MOSES GATES: Thank you. My name is Moses Gates, I'm Vice President of Housing and Neighborhood Planning at Regional Plan Association, a nonprofit civic organization in the tristate area. We have issued so far three reports on property tax reform before the Council, before the Commission on Property Tax Reform had issued its final recommendation. Most of what I wanted to talk about has been covered by the other panelists, so I will try to be brief and make points that have not already been made.

First, and I should start by saying we generally support the Council's recommendation and my testimony today is going to focus on mostly some details that we think could be a bit different or some other ideas that might not have made it in there but we do believe that the Commissions report and suggestions therein move very solidly in the correct direction of property tax reform.

The renter credit has been a subject of conversation a lot today. We had recommended a direct renters credit through the income tax system or even more directly, you could mail back a rebate to each renter directly. That's an extremely important component of any reform. Not just for Class 2 but also for Class 1.

Under this reform, about a quarter of Class 1 would increase in value but Class 1 is not only homeowners. 42 percent of residents of Class 1 property are renters, and so, that increase in taxes to that cohort would also necessarily be a burden on the renters therein.

In addition, there are many renters who don't pay property taxes even indirectly people in affordable housing, where the property taxes have exemptions, NYCHA residents and these are generally the folks most in need of financial relief and you might —

SERGEANT AT ARMS: Time has expired.

MOSES GATES: Oh. Uhm, and so we greatly advocate that we also extend the renters credit universally even to those folks who don't pay indirect property taxes. I will leave it at that.

CHAIRPERSON BRANNAN: Thank you very much for your testimony Moses.

MOSES GATES: Thanks.

CHAIRPERSON BRANNAN: Next, we have Ana Champeny.

ANA CHAMPENY: Hi, how are you?

CHAIRPERSON BRANNAN: How are you? We'll just swear you in.

COMMITTEE COUNSEL: Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

ANA CHAMPENY: Yes, I do.

COMMITTEE COUNSEL: Thank you, please proceed.

ANA CHAMPENY: So, I have submitted longer testimony through the portal but I want to highlight some of the key point, many of which I think those who testified before me have already raised. So, but thank you for the opportunity to testify. I'm Ana Champeny, Vice President for Research at the Citizens Budget Commission.

We have long advocated for comprehensive reforms at the property tax system to increase transparency, equity, simplicity and fairness, as well as to help boost housing production. The Advisory Commission's reports and recommendations are a valuable contribution and I want to thank them for their considerable efforts.

The new residential class that they recommend is largely in alignment with CBC recommendations and based on sound tax policy. It would improve the current system in three ways. While values would better reflect the market for co-ops and condo's, values of one to three family homes co-ops and condo's would be more comparable to each other and tax burdens would be more equitably distributed.

A couple of other points I do want to make is eliminating fractional assessment, will likely increase the number of owners in this class that appeal their assessments, as well as the fact that shifting to sales-based values for co-ops and condo's would increase market value estimates in the city, thereby increasing the city's constitutional tax limit and its constitutional debt limit.

So, while not directly related to property taxation, these are related to how we value property in the city. In line with what George Sweeting from the Independent Budget Office raised, some of the information on how the homestead exemption and circuit breaker would redistribute liabilities across properties within the new residential class is lacking in the report. While they do show the effective tax rates by market value income and borough, there isn't a table that quantifies how many owners in each band would qualify and what the aggregate shift in tax liability would be.

SERGEANT AT ARMS: Time has expired.

ANA CHAMPENY: And the last two points I do want to make that have been made is that they really do not address the higher tax burdens for large rental and commercial property, both of which we think need a closer look to ensure that the city remains competitive and that rental housing production is supported through the property tax system.

CHAIRPERSON BRANNAN: Thank you. Thank you for your testimony. Next, we have Ali Hazrat. Ali Hazrat?

ALI HAZRAT: Okay, yes, good evening everyone. Do I need to be sworn in?

CHAIRPERSON BRANNAN: Yes.

COMMITTEE COUNSEL: Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

ALI HAZRAT: Yes, I do.

COMMITTEE COUNSEL: Thank you, please proceed.

ALI HAZRAT: Yes, I'm Hazrat Ali(SP?) and I'm a member of CB2 Land Use and Historic Preservation Committee. I did prepare a document but since a lot of it has been covered by previous speakers, I'll just go into areas where I feel that some correction could be made to what some of the Commission or the Comptroller has made.

I own a condo and my taxes started at $90 a quarter and right now, it's up to $2,800 a quarter. Which is — I'm not alone in that regard. Everybody in my building is experiencing this increase and I see from all the presentation that you all are very much aware of these problems.

Two things I would like to recommend though is that one of the suggestions for the one family in the condo's is that they started it with the income of $90,000. And I think while that sounds like a good income to start giving a reduction, uhm $90,000 for a family of two is different from a $90,000 for a family of one or a family with two kids.

So, I think they should kind of create some kind of tier system in that area where they're looking at the homestead reduction. Also, I didn't hear anybody mention that there was a little industry that developed over the years, where [INAUDIBLE 2:49:50] could now go and apply to Department of Finance to contest the property value. So, it means they were just pulling these property values out of the sky.

And you have a number of law firms that are now creating a little business of charging condo's a fee, 15 percent of the amount of money reduced by Department of Finance. Now, this is a very cumbersome and complicated system that a homeowner cannot do on their own and you have to do it for the whole buildings.

So, I mean, if a lawyer could go in and apply to Department of Finance and reduce a building value —

SERGEANT AT ARMS: Time expired.

ALI HAZRAT: It's really not fair how they're coming up with the assessed value. Uhm, yeah, since it's a time constraint, I will leave it there because I realize the issue of taxation is very much in front of a lot of people's mind. Thank you very much for the work that you're doing.

CHAIRPERSON BRANNAN: Thank you so much for your testimony. Now, we have Elise Golden.

ELISE GOLDEN: Yes, hello.

COMMITTEE COUNSEL: Hello. Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

ELISE GOLDEN: Yes.

COMMITTEE COUNSEL: Thank you, please proceed.

ELISE GOLDEN: Hi, good afternoon. My name is Elise Golden, I’m the Community Land Trust Campaign Organizer at the New Economy Project, an economic justice organization working with community groups to build an economy that works for all. New Economy Project has worked for more than 25 years to combat inequity in our financial system and economy to promote cooperative community led development. We co-convene the New York City Community Land Initiative, which is a network of community land trusts across New York City and both New Economy Project and the coalition are members of the Abolish the New York City Tax Lien Sale Coalition.

So, as we all know that our property tax system is very inequitable and in need of reform and that most of that reform can be only accomplished on the state level, but our tax enforcement system is handled at the city level and we need the City Council to replace the recently expired system that uses the illogical and unfair tax lien sale selling tax liens to a third party, private investor back to trust at a discount and instead, we want to create an equitable new enforcement system that re-municipalizes public debt collection, prevents the displacement of homeowners and tenants, promotes long-term affordability through Community Land Trust and partnerships with trusted nonprofit developers and creating a pathway for productive use for vacant lots and unoccupied buildings.

In our coalition, the Abolish the NYC Tax Lien Sale Coalition, is coming out very shortly with a proposal that we're going to be sharing which uses community land trust and other entities as a way for homeowners and property owners —

SERGEANT AT ARMS: Time has expired.

ELISE GOLDEN: Okay, thank you.

CHAIRPERSON BRANNAN: Thank you Elise. We look forward to seeing the proposal. Now, we have Donna Simbo.

DONNA SIMBO: Hi, good morning. Can you guys hear me?

CHAIRPERSON BRANNAN: Yes, let us just swear you in.

COMMITTEE COUNSEL: We can hear you. Can you turn your camera on please?

DONNA SIMBO: Uhm, I'd prefer not to if that's okay.

CHAIRPERSON BRANNAN: Alright.

COMMITTEE COUNSEL: Just a moment. Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

DONNA SIMBO: Yes.

COMMITTEE COUNSEL: Thank you, please proceed.

DONNA SIMBO: Hi, my name is Donna Simbo, a homeowner in Far Rockaway and a member of NYC Community for Change. I'm part of a tax lien coalition.

Property taxes have skyrocketed for homeowners especially in Queens in the neighborhood I own property. My property taxes on both my homeowners insurance and flood insurance are built into my mortgage, which effect my cost of living every time the bank calls to inform me my escrow account is short due to the rise of property taxes.

I'm afraid that the higher property taxes goes, it will eventually affect me of owning my home. Young people in my neighborhood, including my kids, are afraid to invest in homes because of high taxes and homeowner insurance premiums.

I’m a mom of three grown kids, my oldest 38, a postal worker with two boys. I’m fearful of this Thanksgiving dinner conversation, worried my daughter may uproot her family, taking my grandson to another state due to the high property taxes, which trickle down to renters. I also know some elderly who are fearful of losing their homes due to high property taxes.

Some of these homes for the elderly is in reverse mortgage and they have to continue and maintain insurance on their home and pay the taxes. The property tax system is very inequitable and in need of major reform. We ask that this Committee work with us to institute a new system of enforcement for the following goals: Re-monopolizing the public debt collection, prevent displacement of homeowners and tenants, promoting —

SERGEANT AT ARMS: Time is expired.

CHAIRPERSON BRANNAN: Donna, I’ll give you one more minute, you can finish up.

DONNA SIMBO: Okay. We ask that this Committee ensure that the tax lien stays dead and urge you not to support any legislation that involves selling property tax debt to an unaccountable third-party entity. Making sure the legislation does everything in its power to protect homeowners from higher property taxes. That's all. Thank you.

CHAIRPERSON BRANNAN: Thank you for your testimony. Now, we have Gene Sasseen.

GENE SASSEEN: Hi, good afternoon everyone. Sorry, a true homeowner in Queens, working.

CHAIRPERSON BRANNAN: Let us just — Gene, let us just swear you in okay.

GENE SASEEN: Okay, go ahead.

COMMITTEE COUNSEL: Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

GENE SASEEN: I do.

COMMITTEE COUNSEL: Please proceed.

GENE SASEEN: Alright, good afternoon. My name is Gene Saseen(SP?) and I am with New Yorkers for Change, a member of the Abolish the Tax Lien Sale Coalition. I'm glad that the Chair earlier acknowledged the inequality of our tax system and our taxes aren't levied equally.

How we change enforcement can be a big part of changing that and one thing is, the tax lien sales was just another name for land grab. We are begging the Council not to privatize homeowner debt any longer. Make sure the tax lien sales system stays abolished, stays dead and with enforcing being worked on, with our coalition plan, we could then talk about tax equity.

Our coalition has a proposal for a program that we'll be ready to share shortly. The program prioritizes robust outreach, counseling and relief. It would also offer homeowners who do not want to sell their homes the opportunity to remain in place in exchange for putting their land in a community land trust in exchange for forgiveness of debt to the city equal to a comparable amount, rather than losing most or all of the equity to foreclosure.

Southeast Queens was just rent in the recent report for having two zip codes out of the top five in New York City for foreclosure. We are still recovering from Sandy, still recovering from the bubble real estate crash of 2008. Homeowners need protection.

One closing thought I would have is that I hope that those circuit breakers that everyone keeps mentioning are in place because rate times value of the home sounds equitable, but communities of color are traditionally house rich —

SERGEANT AT ARMS: Time has expired.

GENE SASSEEN: And income poor. Property bought in the 70’s, like my mothers home, for tens of thousands by sacrifice and hard work, but not with hundreds of thousands but owned by people on a fixed income. Especially some of our seniors who are paying their regular bills with the just mentioned reverse mortgages and other means that are slowly draining the wealth from what they sought to build. Please protect our homeowners in our communities City Council. Thank you.

CHAIRPERSON BRANNAN: Thank you Gene. Next, we have Joan Erskine.

JOAN ERSKINE: Hi, can you see me?

COMMITTEE COUNSEL: We do. Uh, just swear you in. Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

JOAN ERSKINE: Yes, I do.

COMMITTEE COUNSEL: Thank you, please proceed.

JOAN ERSKINE: Hi, I'm Joan Erskine, I'm a member of Brooklyn Level Up, which is a community support organization in East Flatbush and Flat Lands.

We are on the Abolish the Tax Lien Sale Coalition. You are hearing from all of us today. But I'd like to highlight a few things that perhaps was asked.

First of all, thanks for taking on property tax reform. I can't think of a thornier issue but as you pointed out, it's been pointed out, the actual reform of the tax policy has to go to the state but the enforcement is within the City Council preview and that's what we want to speak to you about. Hence the name, Abolish the Tax Lien Sale. Now, the tax lien sale is dead. We'd like to keep it that way and to do so, the Abolish the Tax Lien Sale Coalition has devised a proposal of an enforcement mechanism that takes not just the finance of your committee into account but the fact that you — and you've mentioned this and I appreciate it. That you're representing New York City and New York City is a home and it's a home to a lot of different people and that is what it is first and foremost.

When people say they come from New York City, they mean they live here. We live here and we need you to help protect our homes and the enforcement mechanism of our property taxes is a key way to do that. Now, the — as I said, the Abolish Tax Lien Sale has developed a framework that we will be making public very shortly. The first thing it does is it takes tax collection back into the city and does not form it out to profit seeking organizations.

The second thing it does is it prevents the displacement of homeowners and tenants because it gets the resources and the acknowledge of what resources are out to them at a much earlier date. They need to be — as soon as they start getting behind. That's when help needs to be —

SERGEANT AT ARMS: Time has expired.

JOAN ERSKINE: Alright, I'll just finish up with, uhm, we'll get this to all of you, our proposal. We've put a lot of work into it into thinking how we can transform the tax lien sale enforcement into something that actually preserves communities and does not leave them at the mercy of a privatized industry. Thank you.

CHAIRPERSON BRANNAN: Thank you Joan. Now, we have Laura Wolf-Powers.

LAURA WOLF-POWERS: Sorry, just a moment, I'm just getting my camera plugged in. Hi, thank you.

COMMITTEE COUNSEL: Good afternoon. Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

LAURA WOLF-POWERS: I do.

COMMITTEE COUNSEL: Thank you, please proceed.

LAURA WOLF-POWERS: Good afternoon. I'm Laura Wolf-Powers. I'm an Associate Professor in the Urban Policy and Planning Department at Hunter College, at the City University of New York and today I'm here representing myself and the Western Queens Community Land Trust where I'm a Steering Committee member.

I thank the Commission for their report. I actually assigned it to my students this semester. It's a good read but I'm actually also here like many of the people who just testified to talk about not the property tax reform itself but about the city's role in enforcing delinquent tax debt.

I know property tax reform is going to be difficult and I strongly believe that a program like 485W is just going to be another Band-Aid on a very sick patient and I think it’s much smarter in the long run to tackle comprehensive tax reform. But as everyone has noted, that’s a state responsibility and I want to talk about something that can be done at the city level.

The city recently established a Racial Justice Commission and put several important questions on the November 8th ballot. A couple of the Council people alluded to this and voters resoundingly voted to add language committing the city to strive to remedy pack and continuing harms done to people of color and others who have been effected by unjust structures and institutions.

The Committee has the opportunity to enact that commitment by changing the way it handles tax enforcement and by re-municipalizing the collection of delinquent tax debt. Every year, the tax lien sale disproportionately has harmed homeowners of color whose ability to accumulate intergenerational wealth has been profoundly affected by mortgage market discrimination, redlining, blockbusting and more recently, predatory lending and predatory investing.

By working with members of the abolished, the Tax Lien Sale Coalition to replace the tax lien sale with changes in the Administrative Code, the Council can take an important step to redress the historical harms and creates new opportunities for wealth building in New York City neighborhoods. Thank you.

CHAIRPERSON BRANNAN: Thank you Laura. Okay, and with that, this hearing is adjourned. [GAVEL] Real quick.

COMMITTEE COUNSEL: Do you affirm that your testimony will be truthful to the best of your knowledge, information and belief?

PAULA SEGAL: I do.

COMMITTEE COUNSEL: Please proceed. Thank you.

PAULA SEGAL: Thank you so much. So, my name is Paula Segal, I’m speaking today as Senior Staff Attorney in the equitable neighborhoods practice of Take Root Justice. Take Root works with grassroots groups, neighborhood organizations and community coalitions to help make sure that people of color, immigrants and other low-income residents who have build our city are not pushed out in the name of progress.

To that end, Take Root is a founding member of and council to the Abolish the Tax Lien Sale Coalition. I'm not going to repeat much. You've heard some of our testimony earlier. I'm going to respond to a couple of things that I heard in the back and forth in the hearing today.

An important question that you asked Chair Brannan was if there's anything the city could do as the state level reform process rolls out and I think Comptroller Lander offered a response that was focused on lobbying the state, which is great. I'm going to make things go faster, but there are actually things that the city and the City Council can do and things that the city and Council have already done to try to make an unfair system be slightly less painfully inequitable and cruel to New York City property owners.

Now, we need to make sure that the Department of Finance is actually following the law that this Council has passed. Uhm, we also as members of the coalition have already pointed out, have control here in the city of the enforcement process of what — that the city uses when folks fall behind. But first and foremost, we want to make sure that folks do not fall behind if they do not need to.

Thanks to the efforts of this Council, the Administrative Code now requires that each notice of property value sent by the Department of Finance to all owners include a description of each available exemption program that they might apply for. The notices sent last year did not include any descriptions. Buried on the bottom of page three, in small print, the notice contained only an incomplete listing of exemptions, each summarized by a single word, seniors, veterans, clergy members, people with disabilities, and others. And then instructions to call 311 for more information.

As you stated earlier, call 311 is probably a curse and it's certainly not the description—

SERGEANT AT ARMS: Time has expired.

PAULA SEGAL: As the code requires. A couple of more points, if you don't mind.

CHAIRPERSON BRANNAN: Sure, go ahead.

PAULA SEGAL: The code also and these are all recent amendments that the Council made I think in the last five years. The Code also states that the owner can request and receive translations of their notices into Chinese, Korean, Russian or Spanish. While that list of languages is incomplete in light of the city language access plan, the notices sent last year did not include any indications that translations would be available at all. I don’t know how people who are not English speakers are supposed to know that if they call 311, they could get their notice of property value translated.

So, there’s no sign that anything folks receive in the mail or can access online actually gives them access to translated materials about either exemptions or their notices of property value.

Finally, the Code requires very detailed information about the risk if not paying on time and options for avoiding enforcement, when our system of enforcement up until last year has been the Tax Lien Sale. No property owner that we’ve interacted with over the last year received that detailed information. The Code says they are supposed to get it with a notice of property value. Not with the lien sale notices, that’s a whole other process that we started talking about today. I’m not going to focus on right now, but there’s supposed to be information included with the notices of property value that points folks to payment plans and explains what will happen if they do not pay.

There was a lien sale last year. It was authorized last year and yet, nobody that we interacted with as we helped folks identify exemptions and identify ways to engage protective measures, ever received that information with their notice of property values.

We hope that the Council will use its oversight powers ahead of the next round of notices going out to make sure that the department is complying with the law. Affirmative access to information is what will keep folks out of the enforcement system that we are hoping we will cocreate with the Council for those situations if folks can't get on a payment plan where exemptions won't help, where there's just no way for a property owner to stay current with their bills to the city.

And as you've heard, we are going to be releasing a framework report. We've been working with your staff. Thank you so much to Emre and Ray for being cooperators and partners and thought partners as we work through this. We're looking forward to working together on designing a system that creates better outcomes in situations that are always painful when folks can’t keep up with their bills. Thank you so much.

CHAIRPERSON BRANNAN: Thank you Paula. Okay, and with that, this hearing is adjourned.

C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.

Date NOVEMBER 26, 2022