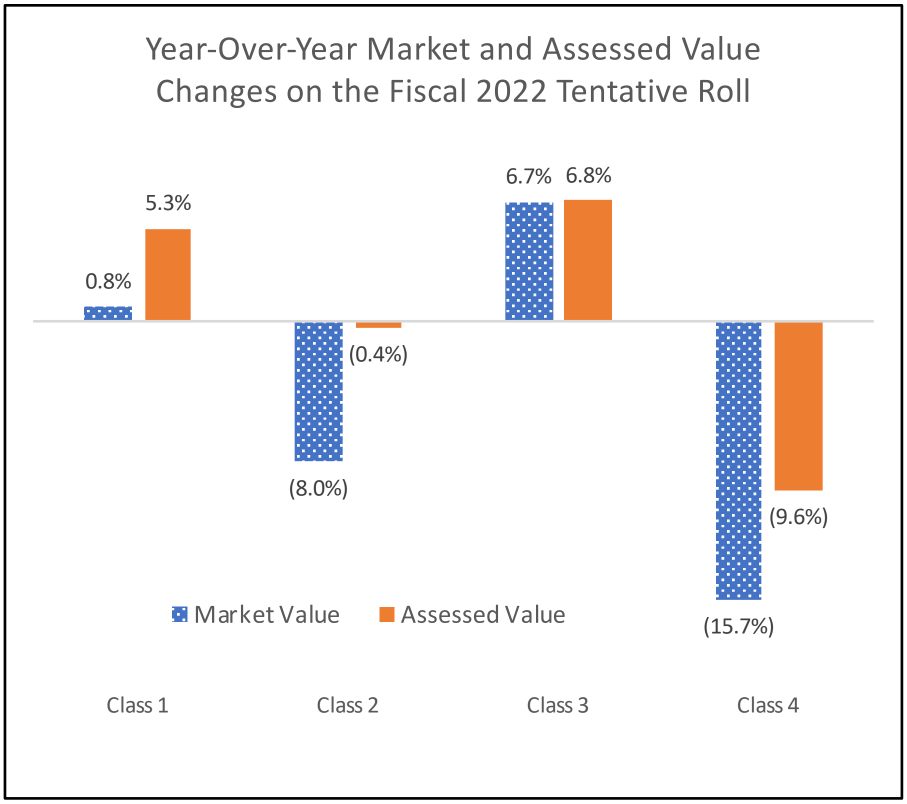
Update on the Fiscal 2022 Tentative Assessment Roll

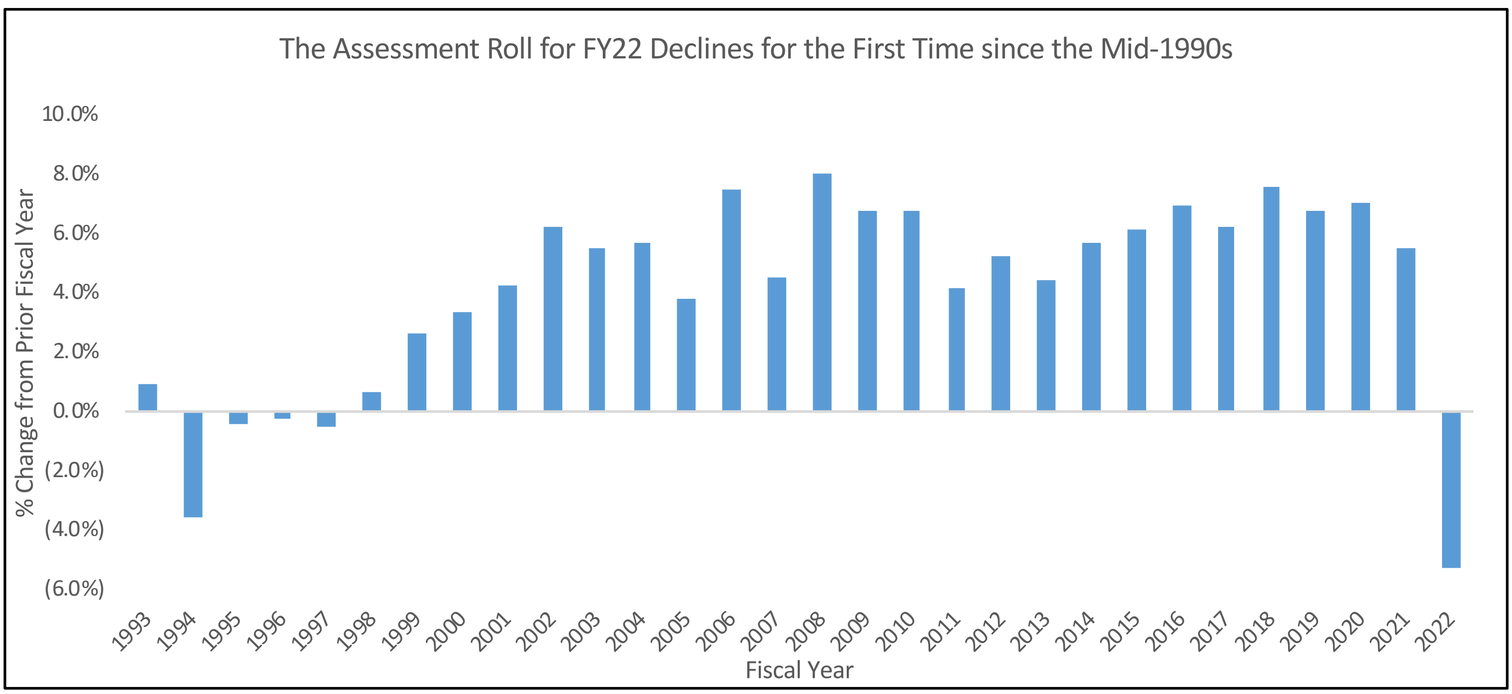
Fiscal 2022 Preliminary Plan Fact Sheet



Steep market value declines of commercial properties have resulted in abnormally fast assessment declines (see next page). The tables below list the changes in market and assessed value from DOF's FY22 Tentative Roll.

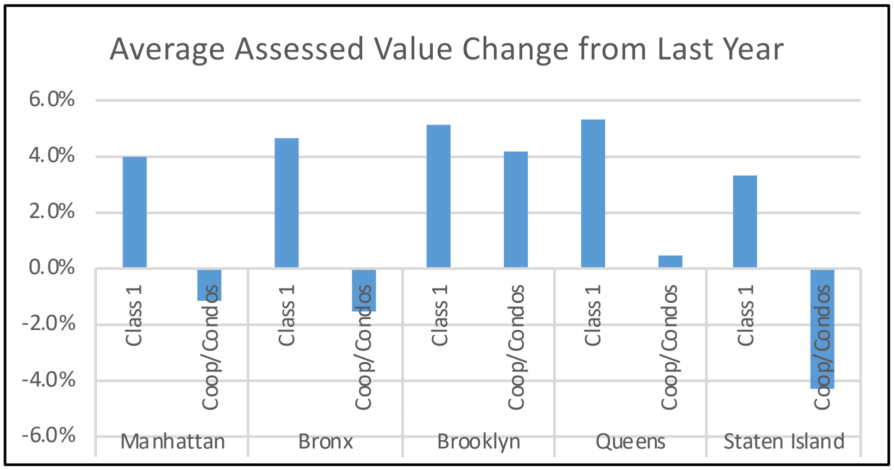
($ Millions)	Market Value	
	FY21	FY22
Class One	$657,429	$662,905
Class Two	347,662	320,022
Class Three	38,313	40,895
Class Four	325,980	274,644
Total	$1,369,384	$1,298,466

($ Millions)	Assessed Value	
	FY21	FY22
Class One	$22,018	$23,175
Class Two	102,510	102,085
Class Three	17,065	18,227
Class Four	129,201	116,835
Total	$270,794	$260,322



The Finance Division expects the **final** roll for FY22 to decline by 5.3%. The roll last decreased in each of the years between 1994 and 1997, but the declines were not as severe as what is expected for FY22.

Homeowner Assessment Changes by Borough

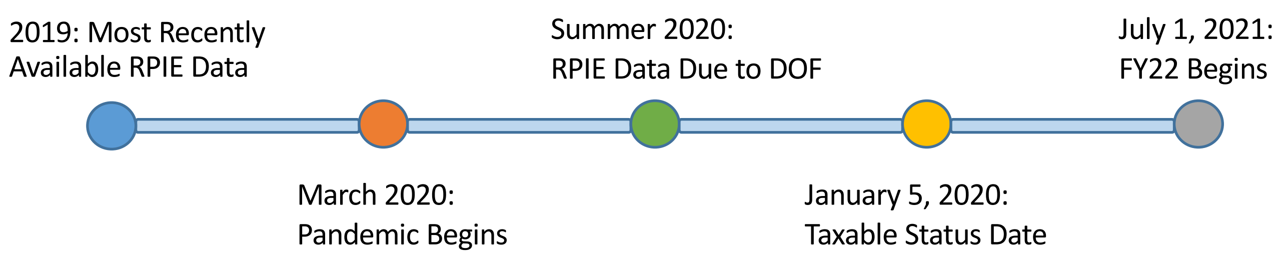


Assessed Values for most Class 1 homes (1 to 3 family) increased in all boroughs, a function of State law requirements that assessments increase if they are below the target assessment ratio.

The story for coops and condos is more mixed, as in most boroughs the average assessment declined, except in Queens where they were roughly flat and Brooklyn, where assessments grew nearly as fast as Class 1 homes.

Risk: Getting Property Tax Valuation Right

Income and expenses serve as the basis of market values for Class 2 and Class 4 properties, which together account for over 80 percent of the City's assessed value. However, there is a one-year lag between the data and the date of valuation, which DOF normally addresses by adjusting net incomes based on historic trends. However, the pandemic rendered historic trends irrelevant, so for FY22 DOF used macroeconomic data to update net incomes. While this represents a best attempt in a difficult situation, the lack of real time data means it is difficult to judge the accuracy of this method, which presents a downside risk for the property tax. While tax commission appeals allow overvaluations to be corrected using more recent data, under-valuations have no similar secondary check. This risk will remain for Fiscal 2023 where the valuation date (January 5, 2022) will likely be when the pandemic is waning, but the data collected will be from the height of the pandemic (Calendar Year 2020).



What Happened to the Property Tax's Budget Stability?

Since Class Two and Four market values dropped so much, many properties are expected to be taxed on their actual assessed value for FY22. In a typical year, most properties are taxed on the smoothed transitional assessments. Therefore assessments for these properties are more volatile resulting in the historic decline in property tax revenue for FY22. This volatility in property taxes will likely remain through FY23 as most Class Four and large Class Two properties are expected to remain taxed on their actual assessed value.

Taxable Assessment is the Lower of:

Actual

- Entirety of changes in assessed value recognized in one year
- Immediately reacts to changes in market values

Transitional

- Changes in assessed value smoothed in over 5 years
- Lags market value changes, stabilizing assessments over time

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