

Pied-à-terre Tax Analysis

To examine the revenue derived from the proposed tax we took the following steps:

1. Using publicly available data from NYC's Automated City Register Information System (ACRIS) and the Department of Finance's Rolling Sales file, we identified co-ops and condos that sold for more than \$5 million since 2003.
2. We also adjusted sales prices prior to 2018, as there were many sales for less than \$5 million that adjusted for market changes would be worth more than \$5 million today. We used the annual change in the Manhattan median apartment price to accomplish this.
3. Data for 1-3 family homes was obtained using the market value on the tentative assessment roll for fiscal 2020. We included all 1-3 family homes with a market value over \$5 million.
4. We assigned the PAT tax amount to each property based on the proposal in the current bill.

These methods yielded a total of 16,313 homes/apartments with a value over \$5 million. The Wall Street Journal's analysis estimated there were 14,400 homes/apartments worth over \$5 million.

We assumed the following rates of PAT ownership:

- 1-3 Family Houses – 15%
- Co-ops – 15%
- Condos – 50%

Based on this methodology, we estimate the following revenue the first year:

Type	PAT Tax Revenue
1-3 Family Houses	\$43,036,663
Co-ops	\$43,302,017
Condos	\$285,974,740
Total	\$372,313,420

Accounting for units that have not sold since 2003 that would be valued over \$5 million, our revenue estimate is within a range of \$370-\$390 million.

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Here is the complete breakdown of the data:

Type of Property	# of Properties Over \$5 million	Total Value	Total Tax if ALL Are Pied-a-Terres	Assumed % Subject to PAT Tax	Estimated Units Subject to Tax	Estimated Tax Revenue
Class 1 Homes	4,375	\$43,461,449,293	\$286,911,086	15%	656	\$43,036,663
Co-ops	3,929	\$38,414,409,865	\$288,680,112	15%	589	\$43,302,017
Condos	8,009	\$77,546,554,856	\$571,949,480	50%	4,005	\$285,974,740
Total	16,313	\$159,422,414,014	\$1,147,540,678		5,250	\$372,313,420

Sources: 1-3 Family Homes-FY 2020 Tentative Assessment Roll
 Co-ops/Condos – ACRIS, NYC Dept of Finance Rolling Sales File
 Terra Holdings median Manhattan apartment price, 2003-2018.
 PAT owner percentage estimates were made by Gregory Heym in consultation with industry experts.

This report was prepared by Gregory Heym, chief economist of Terra Holdings.

Note: NYC Residential Real Property Transfer Tax revenue is forecast to be \$688 million in 2019, a decrease of 9.1 percent from the prior year. Residential RPTT collections through December decreased 5.6 percent from the same period last year. This is due to a softening of the luxury condo market, which has seen a drop off in sales since a peak last year. Residential RPTT revenue is forecast to increase 7.7 percent in 2020 and then average 4.3 percent growth from 2021 through 2023.

It is unrealistic to expect almost the same amount of revenue from the PAT tax as the NYC RPTT tax.