

REBNY Testimony | June 11, 2021

## The Real Estate Board of New York to The New York City Council Finance Committee on T2021-7682 and T2021-7683

The Real Estate Board of New York (REBNY) is the City's leading real estate trade association. Founded in 1896, REBNY represents commercial, residential, and institutional property owners, builders, managers, investors, brokers, salespeople and other organizations and individuals active in New York City real estate. REBNY strongly supports policies that expand the local economy, grow, and improve the City's housing stock and create greater opportunities for all New Yorkers. Thank you to the City Council for the opportunity to testify on this important legislation.

Property taxes in New York City impose a significant burden on businesses and residents alike, and this burden has increased substantially since Mayor de Blasio took office. Reducing the costs imposed by this system is one of the ways that we can better support New York City business and residents, particularly as our economy continues to recover from the COVID-19 pandemic.

Indeed, the economic damage caused by the COVID-19 pandemic requires policymakers to take more aggressive steps to help support our economic recovery. To this end, while the legislation under consideration at this hearing is important and deserves support, REBNY encourages the City Council and other policymakers to take much more aggressive steps to provide meaningful property tax relief that will help our City recover.

At minimum, those steps should include:

1. Freezing property tax rates and assessments so that tax bills do not increase across all building classes.
2. Reducing interest penalties for all properties to reflect the current market.

Long-term, as we look to bolster the City's economic recovery, perhaps no initiative would encourage sustainable economic growth more than comprehensive property tax reform. As the New York City Advisory Commission on Property Tax Reform is currently holding public hearings, the time is now to finally address this perennial issue, and unlike in the past, fixing our failed property tax system has only been made more urgent by the COVID-19 pandemic and resulting economic crisis. REBNY stands ready to work with this Council and the next on this effort.

**BILL:** T2021-7682

**SUBJECT:** Authorize adoption by resolution of an interest rate for nonpayment of taxes on real property with an assessed value over two hundred fifty thousand dollars in FY'22 for certain property owners adversely affected by COVID-19.

**SPONSOR:** Council Member Chin

**BILL:** T2021-7683

**SUBJECT:** Authorize adoption by resolution of an interest rate for nonpayment of taxes on real property with an assessed value of two-hundred and fifty thousand dollars or less in FY'22 for property owners adversely affected by COVID-19.

**SPONSOR:** Council Member Moya

**Pre-Introduction T2021-7682**, sponsored by Council Member Margaret Chin, would authorize the City Council to adopt by resolution interest rates that are no less than interest rates otherwise applicable to the nonpayment of property taxes in fiscal 2022 for real property with an assessed value of \$250,000 or less. To be eligible, property owners would be required to demonstrate to the Department of Finance (DOF) by no later than June 15, 2022 that such property owner either:

(a) owns class 2 or 4 real property, the income from which declined, for any six-month period between March 7, 2020 and June 30, 2021, by at least 50 percent as compared to the corresponding period in the previous calendar year due to COVID-19; or

(b) owns real property where at least 50 percent of the property is used for residential rental dwellings and contains no more than 50 rental dwelling units, of which at least 50 percent are rent regulated accommodations, the income from which declined, for any six-month period between March 7, 2020 and June 30, 2021, by at least 25 percent as compared to the corresponding period in the previous calendar year due to COVID-19.

Additionally, DOF would be required to report to the Speaker of the Council no later than May 1, 2022 and July 15, 2022 the number of properties for which the lower interest rate was imposed pursuant of this local law and the aggregate value of the real property tax liability of those properties.

**Pre-Introduction T2021-7283**, sponsored by Council Member Francisco Moya, would authorize the City Council to pass a resolution adopting a zero percent interest rate for the late payment of property taxes due on July 1, 2021, October 1, 2021, January 1, 2022, or April 1, 2022 for fiscal year 2022. To be eligible, property owners would be required to demonstrate to the DOF by no later than June 15, 2022 that they were adversely affected by COVID-19 and are either:

(a) enrolled in a Property Tax and Interest Deferral Program installment agreement with DOF; or

(b) have a property with an assessed value of \$250,000 or less and an income of less than \$150,000.

Additionally, for any property with an assessed value of \$250,000 or less that has an outstanding balance as of August 1, 2021 resulting from the nonpayment of taxes otherwise due July 1, 2021, DOF would be required to send a notice advising the property owner of the availability of the program with the mailing of

the statement of account for the taxes due on October 1, 2021. Finally, DOF would be required to report to the Speaker of the Council no later than May 1, 2022 and July 15, 2022 the number of properties for which the zero percent interest rate was imposed pursuant to the provisions of this local law and the aggregate value of the real property tax liability of those properties.

REBNY appreciates the Council's commitment to addressing the needs of property owners and small businesses, including small business tenants. While this proposed legislation aims to best support those deemed to be the hardest hit property owners, **REBNY strongly encourages the Council to align the rate with typical market rates** as it deliberates on the appropriate interest rate for fiscal year 2022.

Last year, at the height of the pandemic, REBNY and our partners called for a decrease of interest rates to 3% during the COVID-19 period for all properties. Ultimately, the Council established a deferment process for properties assessed at less than \$250,000 and set interest rates on late payments at 5%. For properties assessed at over \$250,000, interest rates unfortunately remained at 18%.

The 18% rate is completely out of balance with the market and fails to recognize the impact that the pandemic has had on all types of building owners and businesses. Alleviating additional burdens through lower interest rates for all properties could have a meaningful impact on owners and tenants alike as we try to make the City's economic recovery more robust. For these reasons, we encourage the Council to amend this legislation to provide the opportunity for many more taxpayers to benefit from a reduced interest rate.

New York City is at a crossroads and by working together we will overcome these obstacles to become a more resilient and equitable city. REBNY looks forward to working with the Council to strengthen this legislative package.

Thank you for the consideration of these points.

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