

NEW YEAR, NEW ASSESSMENT

WHERE WILL NYC PROPERTY ASSESSMENTS GO IN 2022/23?



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On January 15 (or shortly thereafter), the New York City Department of Finance, as it does every year, will publish its tentative property tax assessment roll valuing all real estate in New York City as of the January 5, 2022 “taxable status date.” The final assessment roll will be published on May 25 and will affect property taxes due for the city’s 2022/23 fiscal year (July 1, 2022 to June 30, 2023).

At this point last year, the devastating economic effects of the COVID-19 pandemic were clearly still being felt and uncertainty as to the city’s and nation’s economic outlook was the rule of the day. These factors put enormous downward pressure on urban real estate values, only some of which was reflected in the city’s initial 2021/22 assessments. Overall, the 2021/22 assessment rolls showed year-over-year decreases in the assessed values for all major asset classes.

Bolstered by calendar 2020 economic performance data that evidenced enormous decreases in net operating income and marked increases in vacancies, many property owners were able to successfully reduce their assessments even further through the appeals process at the New York City Tax Commission. Additionally, while most anticipated a substantial increase in 2021/22 property tax rates to make up for the loss of revenue resulting from lower assessments, an infusion of federal relief funds enabled the city to actual lower its tax rate for residential property classes and hold its rate increase for most commercial properties to a mere few basis points.

This year the situation is somewhat different — surely less terrifying and without the feeling

of being in a constant state of emergency, but no less uncertain as to what either the immediate or longer-term future of New York City holds. Will New York City’s economy return to its pre-pandemic levels anytime soon? Will suburban commuters come back to the office at pre-pandemic levels? (According to at least one recent survey, they still aren’t back yet!) Will domestic and international travel to the city, both for business and leisure, rebound? What is the future of city living? What effects will a new mayoral administration have on all of this?

The questions can go on and on, but one thing is for certain — there will be a property tax assessment roll published on January 15, 2022 and tax bills will still come due on July 1.

Ordinarily, the Department of Finance would begin its process of setting 2022/23 assessments with an analysis of income-producing properties’ reported calendar 2020 income and expenses, incorporating certain market-based adjustments. As we all know, however, calendar 2020 income decreased for most properties (and for some types of real estate, such as retail and hotel, that income dropped precipitously), rendering that data almost worthless for a traditional income capitalization analysis.

So where does that leave the city with respect to how it should set its 2022/23 valuations? Although there are signs that New York City’s real estate-related economy is at least incrementally improving, NYC property owners would undoubtedly disagree, and would point to record-setting vacancy rates, commercial rents which remain well below pre-pandemic

levels, hotels which are still closed and which may never reopen and retail spaces which are attracting little or no leasing interest. The NYC Department of Finance may reference anecdotal evidence, such as a higher volume of real estate transactions among all asset classes, increasing residential rents and growing numbers of inbound travelers, as support for 2022/23 values increasing from their COVID-19-induced 2021/22 lows. Given the disparate impacts COVID-19 has had on the variety of real estate assets, we could see changes in assessed values that vary widely among the various property types come January 2022.

In any event, property owners should carefully monitor their upcoming assessments and be prepared to challenge those values through the Tax Commission appeals process. The deadline for filing such protests is March 1 for most property owners. As always, property owners should consult with their property tax attorneys to discuss the specific requirements with respect to their own properties. Furnishing the Tax Commission with accurate data and information in each property tax challenge is the starting point and is critical to the success of the appeal. Making sure that your attorney is fully familiar with all of the facts and circumstances surrounding each property is also crucial to achieving assessment reductions.

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