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The Public Ought to Know: Property undervaluation affects homeowners' tax

By Corey Bearak

Any owners who live in their home, condo or cooperative apartment have by now received a letter signed by the mayor with a rebate check. Each $400 payment "honors the sacrifice you made in order to help New York City's recovery during difficult times," wrote Mayor Michael Bloomberg. Checks remain nice; we all can use a few dollars more - especially this time of year.
Then several dailies reported last month the mayor - actually his Finance Department - mailed some checks to former owners, some no longer alive.

What if I told you the property tax system remains so out of sync that homeowners pay a higher tax rate than owners of large residential or commercial buildings? Flaws in the property tax system trigger adjustments that state law mandates. These make homeowners bear the burden of a higher tax rate. This system requires repair; it's absurdly managed; its managers remain irresponsible.

A report that was issued as December began finds that commercial and large residential properties are underassessed (and undervalued) on average at nearly half of the 45 percent of market value standard the city applies. This affects the property class shares which cause homeowners to pay a higher tax rate than owners of commercial or multi-family buildings. This suggests a needed adjustment to reduce what homeowners pay. It could likely exceed any rebate and would be permanent.

A "Review of Assessment Ratios for Recent Sales of Tax Class 2 and 4 Properties in New York City," prepared for District Council 37, surveyed a number of Class 2 and 4 properties in The Bronx, Brooklyn, Manhattan and Queens. In each case, the assessed valuation of the properties should have worked out to match the 45 percent of the market value standard set by the city.

Yet, only the sample of Bronx commercial properties came any near that 45 percent of market value standard at 32.5 percent. Brooklyn Class 2 properties were valued at 19.25 percent of market value. Manhattan Class 4 properties were valued at 25.91 percent of market value. Queens Class 2 properties were valued at 19.56 percent and Class 4 properties were valued at 20.24 percent of market values.

Variations in property assessments by borough and by class of property raises questions. The report queries if staffing variations and inadequate staffing in general contributes to the gross under assessment of large commercial and residential properties. It also asks whether the agency holds a bias "for or against certain communities."

The comptroller and the Independent Budget Office should review how the assessment ratio varied over time, or whether under assessment occurred consistently. The report notes: "If a study was conducted with DOF's approval and was for the benefit of the city, the issue of 'tax secrecy' could be mitigated and access to pre-2003 data could be used."

The Finance Department costs our city money it needs in these tough fiscal times; it effectively extended a tax break to businesses that managed to successfully undervalue their worth.

The city's Department of Finance failed to hire and deploy sufficient assessors to review "income and expense statements" used by private commercial and residential building owners to calculate their assessed valuation. The gross mismanagement lasted decades; worse, it continues today. This may explain the Finance's Department's non-cooperation in the report's preparation.

Undervaluation leads to under-assessment. Nassau County has the same number of assessors. Yet better-paid Nassau assessors handle fewer parcels than city assessors. DC37 Local 1757 recommends the Finance Department hire 40 more assessors at the entry level cost of $2.3 million. With lost revenue ranging from $1 to over $2 billion, this initial investment means $500 to $1,000 in new revenue for every $1 for new assessors.

The story does not end there. Corruption has decimated assessor ranks. The Departments of Finance and Citywide Administrative Services must study civil service requirements, particularly affecting advancement.

Reforms would reduce corruption; this includes better pay and a pay scale based on tests and seniority; it would replace existing discretionary "step-ups" that allow supervisors to make folk look the other way, if not worse.

The GM building would have yielded over $35 million if properly assessed. What would $35 million do? Examples include libraries open even days, re-opened firehouses, a new multi-school campus, and a tax cut. Readers might suggest their priorities.

Corey Bearak is an attorney and adviser on government, community and public affairs. He is also active in Queens civic and political circles. He can be reached via e-mail at Bearak@aol.com. Visit his web site at CoreyBearak.com.