

Fernando Ferrer: Bringing HOPE to New Yorkers

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New Yorkers are finding it increasingly difficult to make ends meet. Real wages for low- and moderate-income workers are down.¹ Poverty is rising with more than one in five New Yorkers living in poverty.² The cost of healthcare is skyrocketing, with many of New York's HMOs raising their premiums by as much as 25 percent in the last year.³ Transportation is more expensive as subway and bus fares have increased 33 percent during the Bloomberg administration. The average gas price has gone up by as much as 56 percent in the last year.⁴ Home heating oil prices are expected to soar by 50 percent or more this winter.⁵ Last year more than 42 % of renting households paid more than 35 % of their income on rent⁶ and more than a quarter are spending half their incomes on rent.⁷ A new police recruit in New York City would have to commute 100 miles to afford the median rent.⁸ As many New Yorkers can hardly afford rent, for too many, home ownership remains an unobtainable dream.

With the cost of living and the cost of real estate in New York shooting through the roof, New Yorkers are in the midst of an affordability crisis. To make matters worse, Mike Bloomberg's record tax hike slapped struggling New Yorkers with the most regressive kind of tax – an 18.49 % property tax increase – the largest tax increase in the City's history.⁹ For average New Yorkers, the tax increases are more than an inconvenient pinch; they threaten their ability to hold on to their homes.

At a time when more and more New Yorkers were getting priced out of New York City, Mike Bloomberg raised the average tax burden for homeowners by over one thousand dollars. On average, the tax burden for owners of private homes, co-ops and condominiums has gone up by nearly \$1,100 dollars under Bloomberg.¹⁰ Tax bills for single-family homes have increased by 62 percent while those of co-ops and condos have increased 43 percent.¹¹ Renters also feel the sting as landlords are forced to pass costs down to their tenants. Quite simply, Mike Bloomberg's tax hike has made it harder for average New Yorkers to hold onto their homes and also harder for other New Yorkers to become home-owning New Yorkers.

With home values rising an estimated 14% last year – and even with assessment value caps - single-family property owners can expect to see an additional \$138 on their tax bill this year, while co-op owners' bill will average \$265 more and condominium owners roughly \$488.¹² And in future years, the Bloomberg tax rates are expected to hurt even more.¹³ The facts describe an unacceptable trend: Bloomberg's tax has made homeownership and affordable housing even harder to attain for New Yorkers.

¹ *The State of Working New York 2005: Treading Water in Tenuous Recovery*, Fiscal Policy Institute (2005).

² *New York Times*, September 4, 2005

³ *New York Post*, September 5, 2005

⁴ *New York Post*, September 8, 2005

⁵ *Daily News*, October 12, 2005.

⁶ *The State of Working New York City 2005: a Special Supplement to the State of Working New York*, Fiscal Policy Institute (2005).

⁷ *Daily News*, 4/13/05

⁸ *New York Times*, August 28, 2005.

⁹ "NYC Gets Biggest Property Tax Hike Ever," *Associated Press*, December 2, 2002.

¹⁰ *New York Times*, September 18, 2005

¹¹ *Id.*

¹² *New York Daily News*, January 15, 2005.

¹³ *New York Times*, September 18, 2005.

Fernando Ferrer knows New York City's homeowners and renters need relief. As Bronx Borough President, he worked tirelessly to create and preserve affordable housing in the Bronx. Now, he brings the same vision and leadership to homeowners and renters throughout the City as he seeks to lower their property taxes and make the price of staying in your home or purchasing a home more affordable.

The Ferrer Solution

Fernando Ferrer knows New Yorkers need property tax relief and need it now. As Mayor, Ferrer will provide tax cuts that save more than 600,000 homeowners¹⁴ \$600 million – \$973 per homeowner.¹⁵ Ferrer will also provide tax relief for and low and moderate-income renters. Ferrer's tax cut will:

- **Give a \$100,000 Property Tax Exemption** or its equivalent to every New Yorker who owns and resides in a 1, 2, or 3-family home, coop, or condominium with a market value of under \$800,000.¹⁶
- **Provide Tax Relief for Low and Moderate-income Renters** by reducing their personal income tax.

Lowering New Yorkers' Property Taxes

\$100,000 Property Tax Exemption

While housing costs soar and healthcare costs skyrocket, most New Yorkers' wages are not rising anywhere near the rate they need to keep up.¹⁷ In fact, many New Yorkers are getting priced out of their own city.¹⁸ Fernando Ferrer has a plan to offer substantial tax relief to homeowners hit hard by the huge Bloomberg property tax hike – the Home Owner Property Exemption (“HOPE”). As mayor, Fernando Ferrer's HOPE program would offer a \$100,000 property tax exemption to the approximately 600,000 New York homeowners of coops, condominiums and 1, 2, & 3-family homes valued under \$800,000.¹⁹

How does HOPE work? It's simple. If you own and live in a coop, condominium or 1, 2, & 3-family home in the City that is valued under \$800,000, you would automatically receive a \$100,000 exemption or its equivalent²⁰ on the value of your home for property tax assessment purposes. The HOPE program would replace the \$400 rebate for qualifying homes but would not eliminate existing tax breaks for New York's homeowners nor would it eliminate the rebate for homes valued above \$800,000. Tax relief like the New York State's School Tax Relief (“STAR”) and Enhanced STAR program, the Senior Citizen

¹⁴Housing and Vacancy Survey (2002); http://www.nyc.gov/html/dof/html/pdf/04pdf/stark_budget_fy06.pdf and based on the number of rebates sent out.

¹⁵ Note the small universe of homes valued under \$100,000 would simply see their tax billed erased altogether.

¹⁶ As determined by the equalization factor – which yields the same dollar savings for Class 1 and Class 2 units under this scheme – in section 425d of the New York State property tax law. Also note that while the City's target assessment rate is 6%, the effective rate is often lower. The Ferrer tax cut will employ a 6 % rate for the exemption thus taking \$6000 off assessed values and \$973 off tax bills.

¹⁷ *Newsday*, August 31, 2005

¹⁸ *The Village Voice*, August 17, 2004 at <http://www.villagevoice.com/news/0433,kamenetz,56002,1.html>.

¹⁹Housing and Vacancy Survey (2002). Note this refers to the number of owner-occupied units – the beneficiaries of HOPE.

²⁰ For cooperative and condominium owners, HOPE would implement an equivalent exemption.

Homeowners' Exemption (SCHE) and the Disabled Homeowners' Exemption would be untouched. The HOPE program would simply provide crucial additional relief to New York's homeowners.

Under the HOPE program, New Yorkers who live in homes valued \$100,000 or less will have their entire property tax burden erased. Those whose homes are valued at \$200,000 would see half their tax burden eliminated; people with \$400,000 homes would save more than 25 %. Indeed, every qualified homeowner whose home was valued at \$100,000 or more would automatically enjoy \$973.00 in savings and those whose homes are valued under \$100,000 would see their tax bills disappear entirely. Put simply, HOPE means enormous relief for New York's homeowners. By giving New Yorkers HOPE, Fernando Ferrer would bring down the cost of owning a home for New Yorkers and thus help New Yorkers both save their homes and become new homeowners.

Ferrer would not make these homeowners wait each year to find out if the mayor wishes to issue a discretionary \$400 rebate. Rather, homeowners with homes valued at less than \$800,000 would automatically receive the exemption. The savings for homeowners whose homes are valued at more than \$100,000 would be more than double the rebate – \$973 – while those whose homes are valued less would see their tax liability vanish altogether. Meanwhile, homeowners with homes valued above \$800,000 would continue to receive the \$400 rebate. The following chart shows the kinds of savings homeowners would enjoy under the HOPE program and how much more substantial it is than the \$400 rebate.

Ferrer Saving vs. Rebate

Property Value	\$100,000	\$199,999	\$299,999	\$399,999	\$499,999
Tax Bill ²¹	\$973	\$1,947	\$2,920	\$3,893	\$4,866
Tax Bill with Ferrer Tax Exemption	\$0	\$973	\$1,947	\$2,920	\$3,893
Dollars saved: Ferrer Exemption	\$973	\$973	\$973	\$973	\$973
Dollars Saved: Rebate	\$400	\$400	\$400	\$400	\$400
Percent of Tax Bill Saved: Ferrer Exemption	100%	50%	33%	25%	20%
Percent of Tax Bill Saved: Rebate	41%	21%	14%	10%	8%

BUDGET: \$600 MILLION DOLLARS

Does HOPE mean some homeowners get no relief?

No. While Mike Bloomberg has left his historic property tax hike on the books, he keeps New Yorkers guessing each year as to whether they will receive a rebate check. But HOPE would guarantee all homeowners whose homes are valued under \$800,000 annual property tax relief – at more than double the value of Mike Bloomberg's past rebates. And homeowners with homes valued at more than \$800,000 would continue to get the \$400 rebate. The Ferrer plan would use existing Department of Finance information systems to ensure that all eligible New Yorkers get the tax exemption they deserve. Eligible homeowners would automatically receive HOPE.²² Under the Ferrer tax cut, no homeowner would get less relief than currently provided and those with homes valued under \$800,000 would get more than double with HOPE's added relief.

²¹ Assumes assessment at target rate of 6%.

²² Owner-occupancy would be verified by seeing which homes apply for the STAR credit. Homeowners who apply for STAR would automatically get the \$100,000

Tax Relief for Renters

Renters also pay for rising property taxes because higher tax bills are passed along in allowable rent increases for regulated apartments. And just like other New Yorkers, low and moderate-income renters are also getting priced out of New York City. Fernando Ferrer would provide tax relief for the renters who need it most – those with incomes below \$60,000 and with at least one child under the age of 18. The recent increases in rents and taxes, including the local sales tax increase have hit low and moderate-income renters with school-age children the hardest.²³

As mayor, Fernando Ferrer would address the skyrocketing costs for renters by offering low and moderate-income renters credit against their personal income tax equal to 3 percent of their annual rent. While renters currently get no rebate check and no relief, under the Ferrer Plan, qualified renters would receive an average annual benefit of \$295 – equivalent to the STAR exemption that homeowners enjoy. This credit would be extended to households living in rent-regulated units with at least one child under 18 living with them and a household income that does not exceed \$60,000.²⁴

²³ http://www.nycouncil.info/pdf_files/reports/budresp06i.pdf

²⁴ While STAR money comes from the state, Ferrer would not leave it up to the state politics as to whether or not New Yorkers get rent relief. Ferrer's credit is paid for with City sources.

FERNANDO FERRER'S BUDGET PLAN FOR PROVIDING PROPERTY TAX RELIEF

Tax Relief

- \$100,000 tax exemption or its equivalent for all owner-occupied 1, 2, or 3-family homes as well as coops and condominiums with a market value of \$800,000 or less: \$600 million²⁵
- Tax relief for renters: \$47 million²⁶
- Continuation of \$400 rebate for universe of people whose homes valued at more than \$800,000: \$25 million

ESTIMATED TOTAL COST: \$672 MILLION

Revenue Sources

- Extension of existing surcharge on the personal income of New Yorker's earning \$500,000 annually: \$380 million per year²⁷
- Re-allocation of rebate funds: \$256 million²⁸
- State Reimbursement for Inmates in City Jails Awaiting Trial Over One Year: \$75 Million per year²⁹

TOTAL: \$711 MILLION

²⁵ Calculations based on 2000 U.S. Census and current New York City property tax rates.

²⁶ http://www.nycouncil.info/pdf_files/reports/budresp06i.pdf

²⁷ *New York Sun*, June 9, 2005;

²⁸ <http://www.gothamgazette.com/article/20050131/200/1310>

²⁹ "Budget Options for New York City," New York City Independent Budget Option, February 2005, <http://www.ibo.nyc.ny.us/>