

# **Measuring and Analyzing Residential Effective Tax Rates in New York City's Real Property Tax**

**Karen Schlain  
Office of Tax Policy  
NYC Department of Finance**

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# Measuring and Analyzing Residential Effective Tax Rates in New York City's Real Property Tax

## Description of New York City's Real Property Tax System

- NYC is Much Less Reliant on Property Tax than Other Cities
- Four-Class System

## Estimating Coop and Condo ETRs: Methodology

- Definitions
- Sales History, 2002 to 2007
- Sales for Selected Neighborhoods, 2005 v. 2007
- Data
- Estimating Development Market Values

## Estimating Coop and Condo ETRs: Results

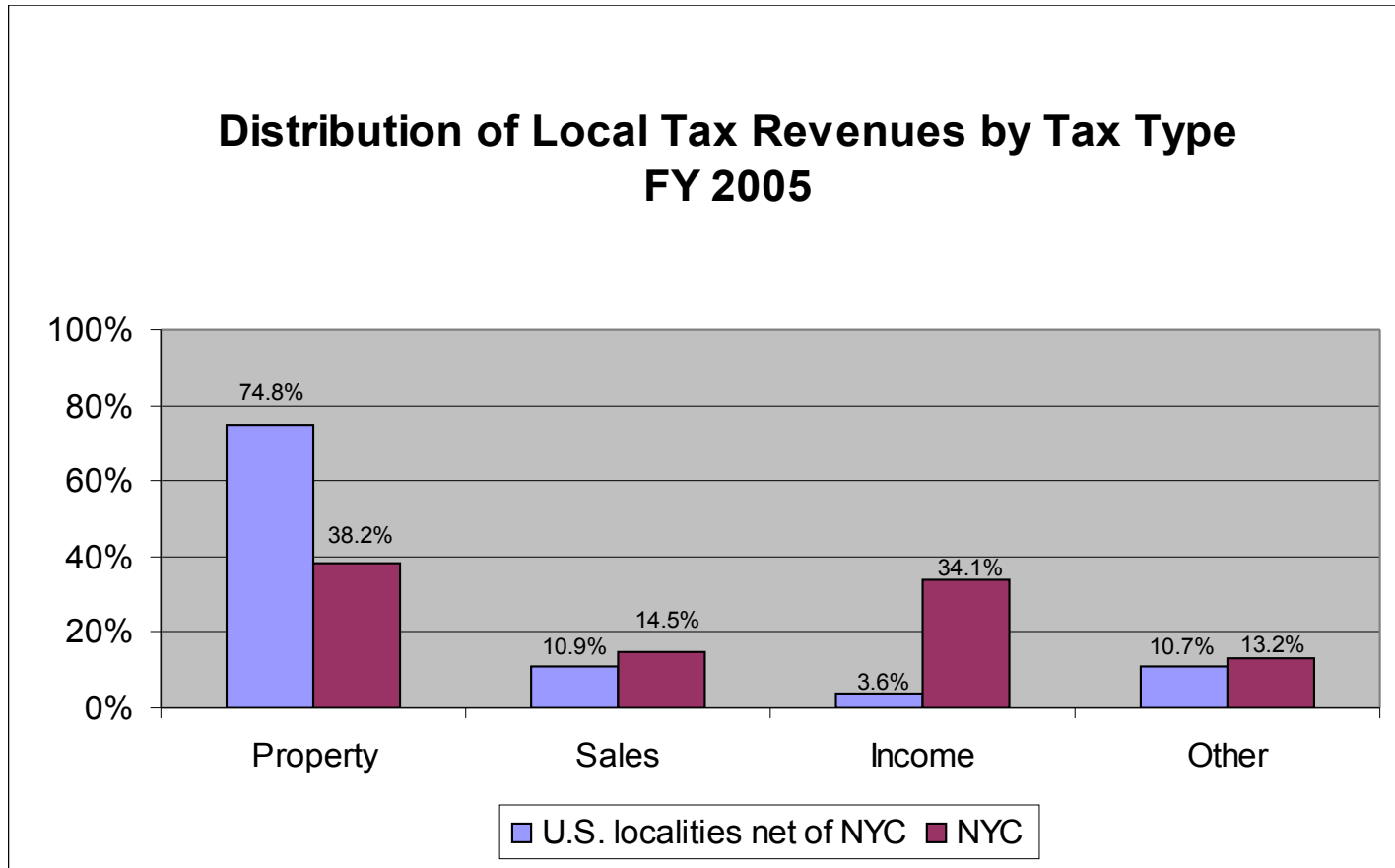
- Official v. Estimated Market Value by Tax Class
- Levy by Tax Class
- Median Coop ETRs
- Median Condo ETRs
- Median Coop ETRs by Neighborhood
- Median Condo ETRs by Neighborhood

## Conclusion

- Objectives for Reform

# Description of the NYC Real Property Tax System

## NYC is Much Less Reliant on Property Tax Than Other Cities



Source: US Census

# **Description of the NYC Real Property Tax System**

## **Four-Class System**

### **Class 1: 1,2,3-Family Homes, Small Condos, Small Mixed-use**

- Valued by sales price (mass appraisal)
- AV/MV ratio of 6%, but AV growth capped
- FY2008 nominal rate: .15434

### **Class 2: All Other Residential Property**

- Valued by capitalized income (gross for buildings with fewer than 11 units, net for larger buildings)
- Coops and condos valued using comparable rentals (section 581)
- AV/MV ratio of 45%, but AV growth capped for buildings with fewer than 11 units, equalization AV changes phased-in for larger buildings
- FY2008 nominal rate: .11928

### **Class 3: Special Utility Property Valued by NYS**

- FY2008 nominal rate: .11577

### **Class 4: All Other Property (Commercial)**

- Valued by capitalized net income
- AV/MV ratio of 45%, but equalization AV changes phased-in
- FY2008 nominal rate: 0.10059

# **Estimating Coop and Condo ETRs: Methodology Definitions**

## **ETR before exemptions and before abatement**

- $\text{FY2008 AV} * .11928 / \text{estimated MV}$

## **ETR before exemptions and after abatement**

- $(\text{FY2008 AV} * .11928 - \text{abatement}) / \text{estimated MV}$

## **Median ETR computation at development level**

- Weighted by number of residential units

# Estimating Coop and Condo ETRs: Methodology

## Sales History, 2002 to 2007

MEDIAN SALES PRICE PER UNIT												
BOROUGH	2002		2003		2004		2005		2006		2007	
	CONDOS	COOPS	CONDOS	COOPS	CONDOS	COOPS	CONDOS	COOPS	CONDOS	COOPS	CONDOS	COOPS
MANHATTAN	\$605,000	\$370,000	\$523,638	\$387,500	\$720,000	\$456,000	\$825,000	\$563,500	\$847,000	\$605,000	\$880,000	\$620,000
BRONX	\$50,000	\$85,000	\$65,000	\$100,000	\$73,500	\$116,000	\$85,000	\$143,027	\$115,500	\$159,930	\$140,000	\$167,655
BROOKLYN	\$285,000	\$115,000	\$323,466	\$148,000	\$415,000	\$175,000	\$471,510	\$215,000	\$501,930	\$240,000	\$497,930	\$254,000
QUEENS	\$180,200	\$100,000	\$210,000	\$125,000	\$250,000	\$148,000	\$310,000	\$172,500	\$330,000	\$190,000	\$352,450	\$192,000
STATEN ISLAND	\$127,600	\$85,000	\$146,500	\$101,000	\$185,000	\$106,400	\$218,000	\$135,000	\$230,000	\$150,000	\$252,700	\$146,000
ALL	\$385,000	\$169,000	\$405,600	\$200,000	\$539,673	\$232,000	\$600,767	\$280,000	\$651,680	\$315,000	\$633,351	\$342,000

MEDIAN SALES PRICE PER SQUARE FOOT												
BOROUGH	2002		2003		2004		2005		2006		2007	
	CONDOS	COOPS	CONDOS	COOPS	CONDOS	COOPS	CONDOS	COOPS	CONDOS	COOPS	CONDOS	COOPS
MANHATTAN	\$652	\$523	\$646	\$558	\$818	\$650	\$976	\$816	\$1,035	\$879	\$1,033	\$895
BRONX	\$77	\$120	\$94	\$142	\$113	\$152	\$133	\$197	\$172	\$210	\$189	\$244
BROOKLYN	\$233	\$169	\$296	\$219	\$402	\$260	\$475	\$323	\$524	\$359	\$536	\$366
QUEENS	\$236	\$149	\$278	\$181	\$324	\$212	\$400	\$254	\$421	\$280	\$446	\$280
STATEN ISLAND	\$162	\$115	\$191	\$145	\$237	\$153	\$285	\$198	\$292	\$241	\$307	\$231
ALL	\$485	\$252	\$541	\$308	\$670	\$359	\$740	\$422	\$862	\$483	\$788	\$545

# Estimating Coop and Condo ETRs: Methodology

## Sales for Selected Neighborhoods, 2005 v. 2007

<b>CONDOS</b>						
<b>NEIGHBORHOOD</b>	<b>2005</b>		<b>2007</b>		<b>PERCENTAGE CHANGE</b>	
	<b>MEDIAN SALES PRICE PER UNIT</b>	<b>MEDIAN DOF MV (FY06)</b>	<b>MEDIAN SALES PRICE PER UNIT</b>	<b>MEDIAN DOF MV (FY08)</b>	<b>MEDIAN SALES PRICE PER UNIT</b>	<b>MEDIAN DOF MV (FY08)</b>
<b>HARLEM</b>	\$384,306	\$65,833	\$556,617	\$124,505	45%	89%
<b>GREENWICH VILLAGE</b>	\$1,235,000	\$130,765	\$1,580,000	\$142,571	28%	9%
<b>UPPER EAST SIDE</b>	\$873,000	\$209,041	\$910,250	\$221,695	4%	6%
<b>UPPER WEST SIDE</b>	\$956,900	\$204,994	\$827,000	\$203,053	-14%	-1%
<b>PARK SLOPE</b>	\$646,000	\$70,003	\$661,862	\$109,265	2%	56%

<b>COOPS</b>						
<b>NEIGHBORHOOD</b>	<b>2005</b>		<b>2007</b>		<b>PERCENTAGE CHANGE</b>	
	<b>MEDIAN SALES PRICE PER UNIT</b>	<b>MEDIAN DOF MV (FY06)</b>	<b>MEDIAN SALES PRICE PER UNIT</b>	<b>MEDIAN DOF MV (FY08)</b>	<b>MEDIAN SALES PRICE PER UNIT</b>	<b>MEDIAN DOF MV (FY08)</b>
<b>GREENWICH VILLAGE</b>	\$585,000	\$100,000	\$647,646	\$151,775	11%	52%
<b>UPPER EAST SIDE</b>	\$640,000	\$152,941	\$694,500	\$180,392	9%	18%
<b>UPPER WEST SIDE</b>	\$710,000	\$107,576	\$810,000	\$141,497	14%	32%
<b>PARK SLOPE</b>	\$495,000	\$52,778	\$559,000	\$97,500	13%	85%

# **Estimating Coop and Condo ETRs: Methodology Data**

## **Years Data Covered**

- 2002 through first quarter of 2007

## **Number of Arms-length Sales**

- Coops: 69,254
- Condos: 43,274

## **Target Growth Period**

- Last quarter of 2006 through first quarter of 2007

## **Growth Methodology**

- Computed median sales price/square foot for each year by geographic area, and then adjusted for price changes within each geographic area.



# Estimating Coop and Condo ETRs: Methodology

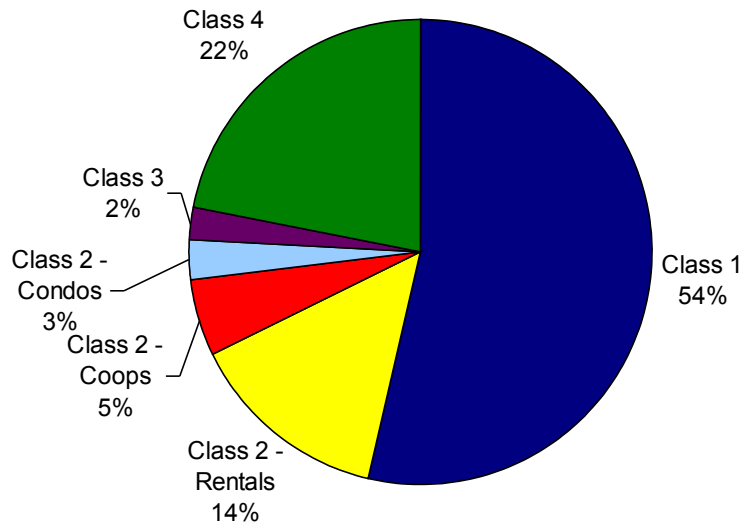
## Estimating Development Market Values

METHOD FOR ESTIMATING MV	FORMULA FOR ESTIMATING MV	PERCENT OF DEVELOPMENTS VALUED	
		COOPS	CONDOS
I. VALUED THROUGH REAL SALES IF DEVELOPMENT HAD AT LEAST 10% OF UNITS AND 10% OF SHARES SOLD (IF COOP)	Coops: grown price/share * total # shares Condos: If valid square footage data available, grown price/sq foot*sq footage of development. Otherwise, price/unit*# of units in development.	57%	82%
II. IF INSUFFICIENT SALES IN DEVELOPMENT, USED REGRESSION FROM DEVELOPMENTS WITH AT LEAST 10% OF UNITS AND 10% OF SHARES SOLD (COOPS ONLY)	Coops: (beta)*DOF MV + constant, where beta and constant determined by regressions based on relationship between sales-based MV and DOF MV.	15% (regression by neighborhood) 24% (regression by economic rating)	none
III. IF NOT VALUED IN I OR II, USED MEDIAN MV TO SALES PRICE FOR DEVELOPMENTS WITH AT LEAST 10% OF UNITS AND 10% OF SHARES SOLD (IF COOP)	DOF MV*median (sales-based MV/DOF MV) by neighborhood*economic rating	1%	11%
	DOF MV*median (sales-based MV/DOF MV) by neighborhood	2%	6%

# Estimating Coop and Condo ETRs: Results Official v. Estimated Market Value by Tax Class FY 2008

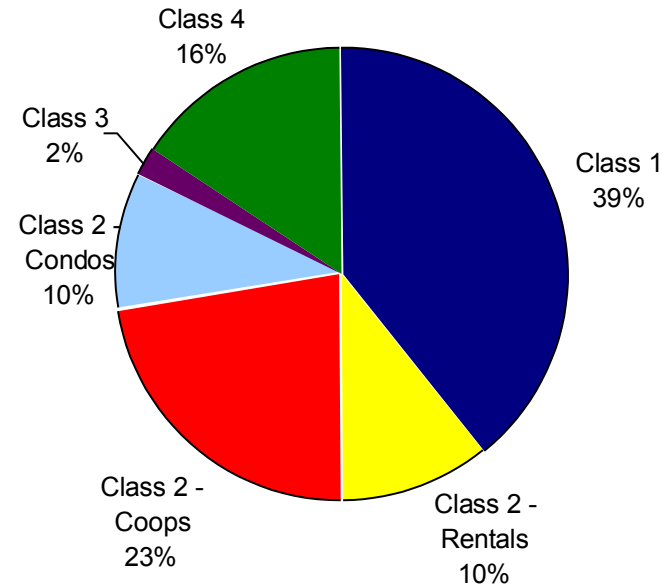
**Official Market Value by Tax Class**

**Total: \$795.9 billion**



**Estimated Market Value by Tax Class**

**Total: \$1,092.2 billion**



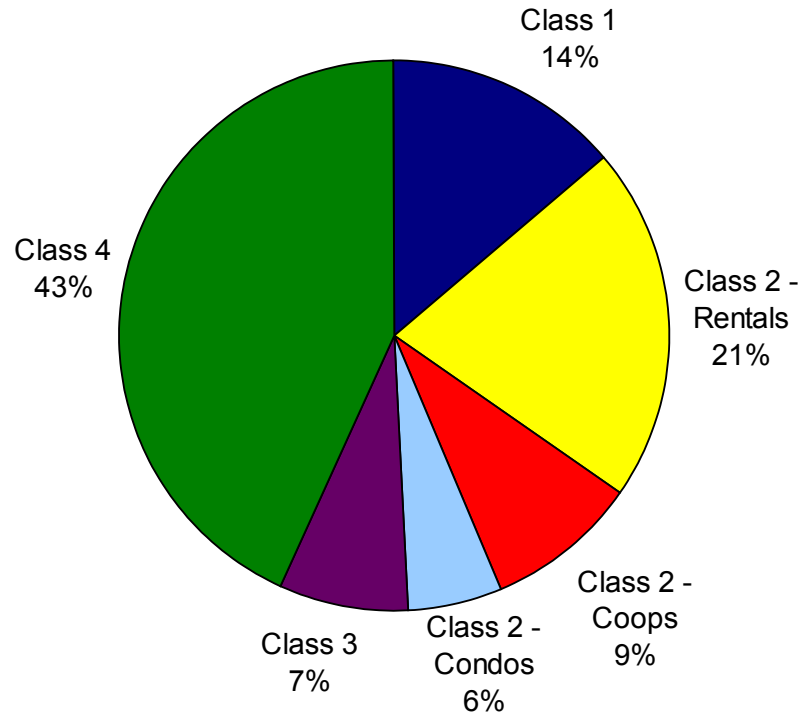
# Estimating Coop and Condo ETRs: Results

## Levy by Tax Class

### Adjusted for Coop/Condo Abatement and Rebate

#### FY 2008

Total: \$13.6 billion



# Estimating Coop and Condo ETRs: Results

## Median Coop ETRs

### FY 2008

BOROUGH	# DEVELOPMENTS			MEDIAN					
	VALUED THROUGH REAL SALES	WITH IMPUTED VALUES	TOTAL	DOF MV PER UNIT	ESTIMATED SALES PRICE/ UNIT	DOF MV/ SALES PRICE MV	ETR BEFORE ABATEMENT	ETR AFTER ABATEMENT	1,2,3-FAMILY HOMES: ETR
MANHATTAN	1,990	1,358	3,348	\$135,616	\$761,061	16.1%	0.85%	0.77%	0.44%
BRONX	147	261	408	\$34,538	\$190,824	17.9%	0.95%	0.84%	0.61%
BROOKLYN	852	806	1,658	\$42,865	\$251,981	17.5%	0.92%	0.84%	0.52%
QUEENS	559	220	779	\$46,580	\$235,803	19.6%	1.05%	0.92%	0.55%
STATEN ISLAND	14	14	28	\$39,404	\$201,092	16.2%	0.84%	0.70%	0.64%
ALL	3,562	2,659	6,221	\$58,715	\$353,339	17.5%	0.92%	0.83%	0.56%

All ETRs are before exemptions.

Taxable parcels only

Target ETR for class 1 =  $0.06 * 0.15434 = .93\%$

# Estimating Coop and Condo ETRs: Results

## Median Condo ETRs

### FY 2008

BOROUGH	# DEVELOPMENTS			MEDIAN					
	VALUED THROUGH REAL SALES	WITH IMPUTED VALUES	TOTAL	DOF MV PER UNIT	ESTIMATED SALES PRICE/ UNIT	DOF MV/ SALES PRICE MV	ETR BEFORE ABATEMENT	ETR AFTER ABATEMENT	1,2,3-FAMILY HOMES: ETR
MANHATTAN	1,051	189	1,240	\$185,361	\$986,843	18.7%	0.98%	0.89%	0.44%
BRONX	32	7	39	\$21,997	\$124,182	17.7%	0.95%	0.95%	0.61%
BROOKLYN	791	213	1,004	\$93,960	\$505,299	18.9%	0.93%	0.92%	0.52%
QUEENS	240	43	283	\$64,375	\$338,728	17.9%	0.95%	0.83%	0.55%
STATEN ISLAND	21	7	28	\$40,500	\$214,616	19.7%	1.06%	0.90%	0.64%
<b>ALL</b>	2,135	459	2,594	\$125,806	\$674,815	17.7%	0.95%	0.90%	0.56%

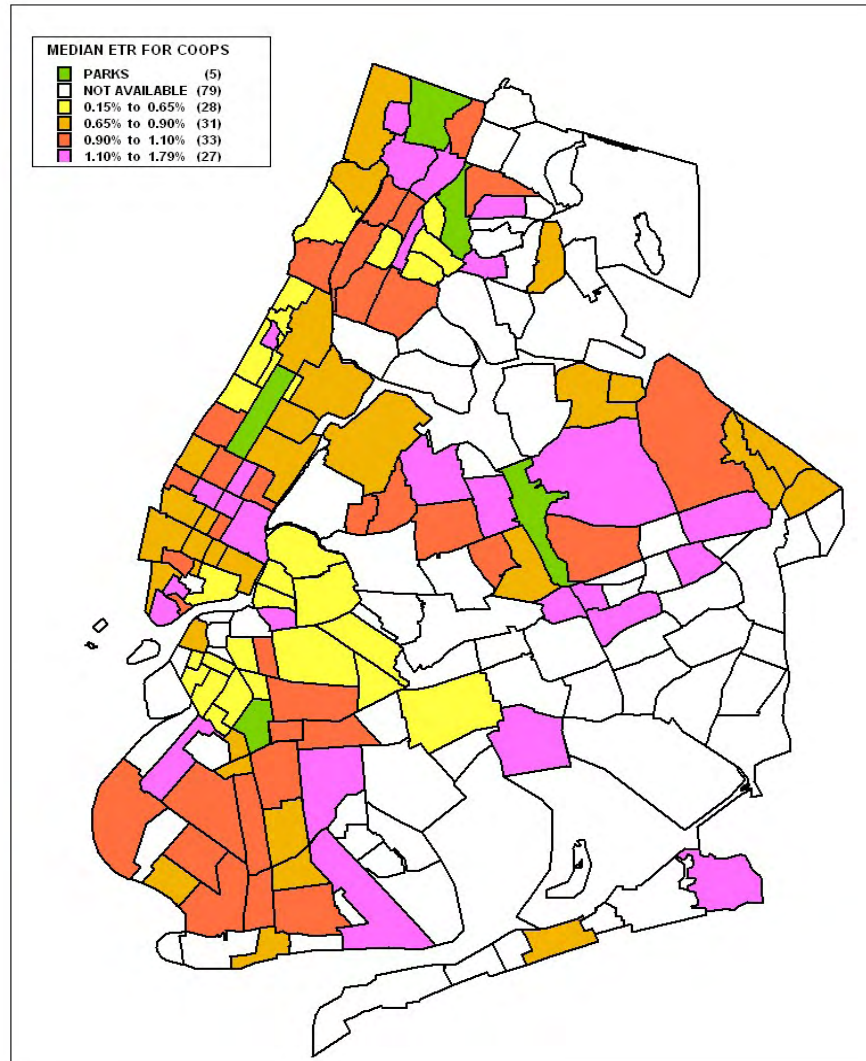
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Target ETR for class 1 =  $0.06 \times 0.15434 = .93\%$

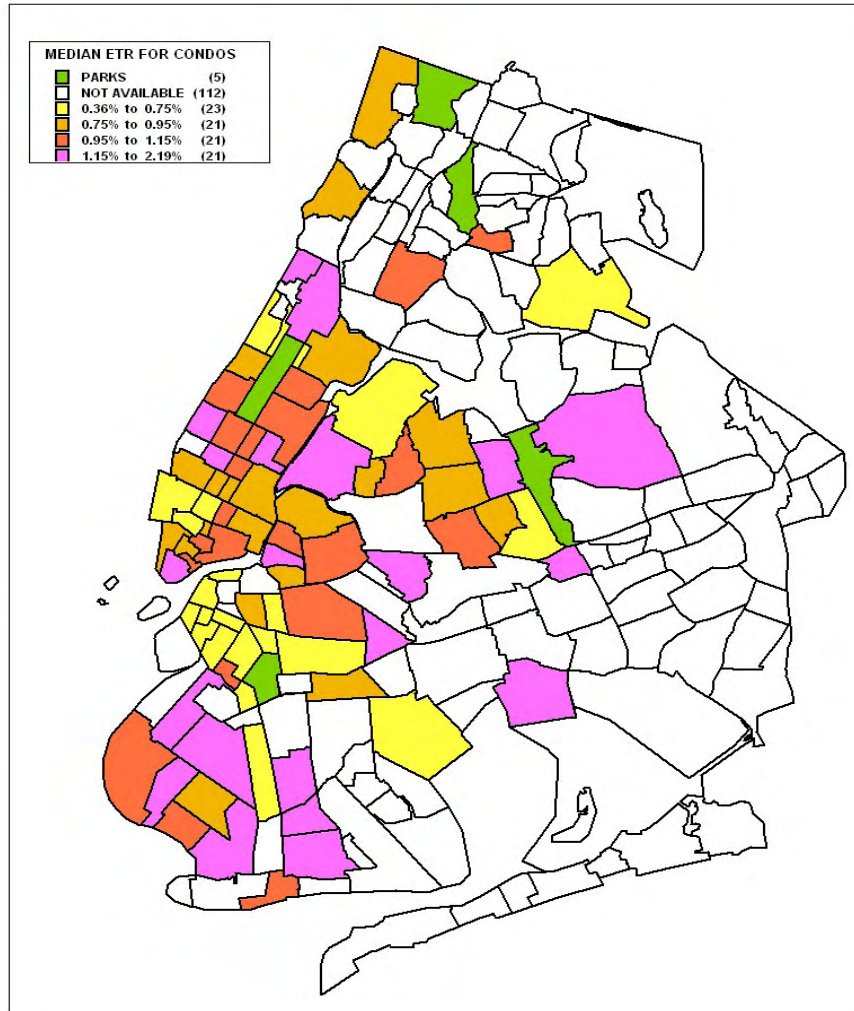
# Estimating Coop and Condo ETRs: Results

## Median Coop ETRs by Neighborhood



# Estimating Coop and Condo ETRs: Results

## Median Condo ETRs by Neighborhood



# **Conclusion**

## **Objectives for Reform**

**Accurate and easy-to-understand values**

**Consistent treatment for similar properties**

**Transparency – currently inhibited by**

- Section 581
- Varying fractional assessments
- Assessment caps
- Exemptions and abatements

**Protection for households with limited incomes**