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**DEPARTMENT OF FINANCE, DEPARTMENT OF INVESTIGATION
RELEASE FINAL REPORT ON ASSESSOR REFORM;
FY05 TENTATIVE PROPERTY ASSESSMENT ROLL PUBLISHED**

*Property Valuation Process Less Vulnerable to Corruption,
More Efficient, Easier to Understand*

Finance Commissioner Martha E. Stark and Department of Investigation Commissioner Rose Gill Hearn today released a report describing steps Finance has taken to reduce the risk of corruption in the property valuation process, and ways Finance will continue to improve the valuation process and make it easier for the public to understand.

Commissioner Stark also introduced Dara Ottley-Brown, newly-selected Assistant Commissioner for Property, who will serve in an acting capacity for three months. They described the data in the Fiscal Year 2005 tentative assessment roll and recent management changes that contributed to a more efficient, transparent valuation process. Ottley-Brown replaces John McBride, who served very ably as Acting Assistant Commissioner for Property.

"With this report and this assessment roll, we have ended a chapter in the City's history and have begun an exciting era of renewed faith in the way we value people's property," Commissioner Stark said. "In less than two years, we have vastly improved the way we do our jobs, and we have begun to turn a confusing, secretive process into something that New Yorkers can actually understand and believe in."

"Today's report is an excellent first step toward implementing long-term institutional changes," Commissioner Gill Hearn said. "It is DOI's hope that these reforms help to deter corruption so that the City can collect the money it is lawfully owed through the property tax system."

(More)

The Final Task Force Report

The Final Task Force Report, the culmination of almost two years of effort on the part of not just Finance and DOI but other City agencies and dozens of elected officials, advocates, and experts, is a blueprint for reform that is well underway.

Steps Taken

The report describes several steps already taken to reduce the risk of corruption and produce the best possible assessment rolls, including:

- Directing property owners' assessment questions to the Chief Review Assessor, which has ended cozy relationships between assessors and individual owners;
- Instituting random assessment reviews, which has ensured the integrity and accuracy of the current tentative roll;
- Beefing up Finance's Internal Audit and Department Advocate's Units, providing more resources to DOI and requiring assessors to file financial disclosure forms;
- Providing better technology to assessors; and
- Restructuring the property division into teams of assessors responsible for valuing property by type, not neighborhood.

Steps to Take

The report describes administrative and legal changes Finance will seek to further improve the valuation process and make it easier to understand, including:

- Showing every property owner exactly how Finance valued their property - something that is already available with the FY2005 tentative roll for almost 66,000 owners of income-producing properties;
- Making summary income and expense data (RPIEs) provided by commercial owners public, as well as information about how Finance categorizes income and expenses for individual residential buildings;
- Re-imposing penalties on owners who do not file RPIEs and requiring electronic filing, but making it easier to file with an "RPIE-EZ" form;
- Shining a light on how Finance determines capitalization rates by consulting with experts every year before the rates are set; and
- Streamlining building classifications and using consistent information to measure building size.

Analysis of Possible Changes to Property Tax Law

The report calls on Finance to analyze the impact of possible changes to the property tax law that would make it simpler and fairer, such as requiring a market value standard for all properties; allowing Finance to value cooperatives and condominiums in ways that make the values on these properties similar to the values on small homes; and merging the utility and commercial property tax classes.

The report also describes plans to improve the process of legally reviewing assessments, and ends with a summary of technological changes Finance is seeking to bring property valuation in New York City into the 21st century.

“This report is a comprehensive roadmap to reform that has already paid off in the tentative assessment roll that we published yesterday,” Commissioner Stark said. “I’d like to thank Mayor Bloomberg for his support, Commissioner Gil Hearn and her team for their help, and most of all the assessors, who have gone a long way towards restoring the public’s faith in their profession over the last two years.”

The Fiscal Year 2005 Tentative Assessment Roll

The 2005 Tentative Assessment Roll is notable for several important changes that are a direct result of the task force’s effort to reform the assessment process and make property valuation more transparent.

The most obvious change can be seen in the assessment notices that Finance will mail to almost 66,000 owners of income-producing properties over the next few days. For the first time, these so-called “flack notices”, which have been renamed Notices of Value, will show owners what factors Finance used to estimate the value of their properties: the income, the expenses, the capitalization rates and the gross income multipliers.

Next January, Finance will send similarly detailed Notices of Value to all 950,000 properties, including homeowners.

In this spirit of transparency, Finance has also added more information about how we value properties in the flyers we will mail to property owners along with their actual Notices of Value. And for the first time, assessors will conduct joint outreach sessions in each borough over the next two months with the Tax Commission to answer questions from the public about how we valued their properties.

Finance has also revised the assessment guidelines to account for specific situations where the previous guideline categories could not effectively capture value. An example is the addition of residential guidelines to be used to value unregulated rental properties and some cooperatives and condominiums. State law requires that coops and condos be valued based on comparable rental properties. These new guidelines attempt to effectively capture the value of deregulated rental properties and, therefore, coops and condos as well.

The new guidelines, which can be found on the web at nyc.gov/finance, not only helped ensure consistent values for the current roll; they will enable owners to better understand what Finance did and help them weigh whether to challenge the values with the Tax Commission.

Finally, the roll reflects Finance’s growing ability to react quickly to late-breaking developments in the market, thanks to better use of market analysis, better technology and better management.

For example, Finance is required to value property as of January 5 each year. However, in order to value almost 1 million properties, Finance develops

guidelines in the fall. This year Finance was able to globally adjust all properties valued based on these indicators to reflect changes in mortgage interest rates and other indicators such as the yield rates for treasury notes as of January 5. So, for example, while the yield rate for a 5-year treasury note traded at about 3.25 percent in the fall, Finance has made adjustments to reflect that the yield rate increased to 3.79 percent on January 5, 2004.

In addition, while Finance's fall guidelines did not include an adjustment for the length of time that it takes to sell property - known as liquidity - Finance was able to adjust for this at the end of the valuation cycle.

All of these changes resulted in somewhat lower market values than the fall numbers would have produced.

Overall Market Value \$549 Billion, Up 17 Percent from FY2004

The tentative roll for FY2005, which was published yesterday on the web at nyc.gov/finance, shows a market value for taxable properties of \$549 billion, up 17 percent over the market value of the FY2004 final assessment roll, published last May. Market values rose in each of the four classes of property and in every borough, reflecting a housing market that has grown stronger along with the City's economy.

Market Value by Tax Class

- **Class 1 properties**, which include one-, two- and three-family homes as well as some condominiums, rose by almost 22 percent, to a total of \$283.3 billion. *However, due to State-mandated limits on growth of assessed value, as opposed to market value, the value that class 1 properties can actually be taxed on only increased by 4.14 percent.*
- **Class 2 properties**, which include rental buildings and most cooperatives and condominiums, rose by 21 percent, to a total of \$118 billion. *However, due to State-mandated limits on growth of assessed value, and because most changes are phased-in over five years, class 2 properties will be taxed on an increase in value of only 6.64 percent.*
- **Class 3 properties**, which includes utilities equipment and special franchisees such as cable operators, increased by 3.31 percent, to a total of \$16.14 billion. Last year's increase was 1.2 percent.
- **Class 4 properties**, which include office buildings, hotels, factories, and garages and other commercial parcels, grew by 7.3 percent, to a total of \$129.5 billion.

Market Value by Borough

- **Staten Island** increased by almost 18 percent. The borough's total value is \$45.57 billion.
- **The Bronx** increased by more than 12 percent, including a 16 percent rise in the value of Class 1 property. The borough's total value is \$35.5 billion.
- **Queens** increased by 21 percent. Total value for the borough is \$ 154 billion.

- **Brooklyn** increased by almost 24. The borough's total value is \$ 125.56 billion.
- **Manhattan** increased by 11 percent. Total value for the borough is \$186.33 billion.

The tentative property tax roll, published annually on January 15, coincides with the mailing of Notices of Value to every property owner. On May 25, Finance will publish a final property tax assessment roll, which will account for changes to the tentative roll based on decisions made by the New York City Tax Commission, an independent City agency, as well as information Finance gathers about abatements, exemptions and other adjustments.

Property owners who disagree with Finance's value can file an appeal with the Tax Commission by March 1, except for Class 1 property owners, who have until March 15.

In June, Finance will use the final roll and new tax rates adopted by the City Council to generate property tax bills for fiscal year 2005 beginning July 1.

The tentative roll, along with summary material and answers to commonly asked questions, is available on the web at nyc.gov/finance. Members of the public who do not have access to the Internet may view the roll on public computer terminals at our borough business centers. The entire tentative roll can be purchased on CD-ROM for \$250 by visiting any of Finance's Borough Business Centers and then presenting a receipt at 345 Adams Street, 11th floor, in Brooklyn. A microfiche version is also available for \$500.

Dara Ottley-Brown

Prior to her selection as Assistant Commissioner for Property, Ottley-Brown served in various management positions at Finance, including Property. Before joining the division as Deputy Assistant Commissioner, Ottley-Brown worked most recently as Deputy City Register in the Bronx Office.

"I'm excited to lead the effort to transform the process of valuing property in this great City, bringing our practices into the 21st century so New Yorkers can be proud of the work we do for them," Ottley-Brown said.

"I want to thank Dara for taking on this challenge, and also thank John McBride for doing such a good job in transition and for identifying Dara as the person best able to do this job," Commissioner Stark said. "But most of all, I want to thank the assessors and other staff in Property who have worked tirelessly not just to produce an accurate roll but, more importantly, to change the culture into one that is honest, creative and forward-thinking."

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