

## MEMORANDUM

**TO:** File

**FROM:** Dara Ottley-Brown,  
Assistant Commissioner, Property Division

**SUBJECT:** Instructions to Assessors

**DATE:** January 14, 2005

---

Last year's memo detailing valuation policy is in effect this year except as indicated below. I issued instructions to my Chief Assessor, Chief Review Assessor, and Team leaders concerning the few policy changes that were to be implemented for the 05/06 valuation season. These instructions and exceptions are detailed below:

### **Analysis of Income and Expense**

Use income and expenses as filed to the extent that you can. Assessors are not to adjust any expenses other than Management and Fees, Miscellaneous Expense, Amortization of Leases and Tenant Improvements and Repairs and Maintenance. If these itemized expenses are over the upper parameter of the suggested range for the property type, assessors should adjust only the aforementioned items so that they will fit into the upper end of the range of itemized expenses as set forth in the supplemental sheet of allowable expenses.

If filed gross expenses still fall out of the range of acceptable filings, as set forth in the guidelines for the appropriate property type, after the above-mentioned adjustments, gross expenses should be adjusted so that they fall within the end of the guidelines range that comes closest to the filed amount. Ex. if the gross expenses are higher than the range for the property type, assessors should adjust the figure so that it falls within the high end of the range.

If expenses per square foot exceed the suggested amount based on the VIGAM gross income/expense table, but fall within the range of expenses for the table, assessors should not adjust the expenses.

For **non-filers that are required to file**, Assessors should use the high end of the income range, median expenses, and median capitalization rate of the guidelines for the property type.

For **non-filers who are not required to file**, assessors should choose suitable comparables that will enable them to use the median income, expenses, and capitalization rate of the appropriate guidelines category to value the property.

### **Regulated/Unregulated**

This year the management team used Department of Housing and Community Renewal (DHCR) rent stabilization files in order to code residential properties either regulated or unregulated. If 51% of the apartments are not subject to regulation, then a building is considered unregulated. In all other cases, a building is considered regulated. This code is being used to sort properties for the development of income and expense parameters when creating the regulated and unregulated residential guidelines.

The results of the determination of regulation status have been coded onto each property valuation document. The code of R for regulated or U for unregulated will direct you to use either regulated or unregulated guidelines when valuing residential properties. In cases in which the property has not been coded, this signifies that the property is not registered with DHCR, and as a result, not subject to rent stabilization guidelines. In these cases, we direct you to use the unregulated residential guidelines.

For cooperatives and condominiums, assessors should use unregulated rental guidelines. However, for cooperatives and condominiums located in the best area rating in Manhattan, assessors should use the special cooperative/condominium guidelines, which are based on rental properties in which 75% of the apartments are not subject to rent regulation according to the DHCR files.

### **Residential Area Ratings**

This year we have adjusted the residential area ratings of various neighborhoods in the City based on three criteria: average sales price per square foot of tax class 1 properties, average sales price per square foot of cooperatives and condominiums, and average rent per square foot of rental properties. The purpose of this project was to ensure that properties are assigned to the appropriate area rating within each guidelines category based on more objective criteria because this will ensure more accurate values. In cases in which the area rating of a neighborhood has been adjusted, we have updated the area rating field for each property belonging to that neighborhood. This is reflected on the assessor's property valuation documents, so have them pay close attention to this field,

and use the appropriate area rating and guidelines category for assistance when valuing residential properties.

### **World Trade Center Zone**

This year, I have decided to dissolve the special World Trade Center Zone Office Neighborhood, and reassign the parcels to the Office neighborhood to which they previously belonged (Downtown Insurance, and Downtown Financial World Trade). This was done as a result of an analysis of the parcels belonging to this area to determine their individual vacancy rates and income per square foot. The results showed that only a handful of parcels exhibited vacancy rates in excess of 1.5 times the vacancy rate of the surrounding office neighborhoods. All of the parcels' income per square foot fell within the range of the surrounding office neighborhoods. As a result, it was not necessary that these parcels be segregated from the rest of the parcels in the downtown area. I am instructing assessors to allow up to 1.5 times the vacancy in both downtown office neighborhoods (as instructed for the entire city), without building back income, and to use the income and expense ranges for the surrounding office neighborhoods as a guide when selecting the proper capitalization rate.

### **New Retail Neighborhoods for Manhattan**

Until this year, the Division issued retail guidelines for three Manhattan neighborhoods, which required that we ascribe the information retrieved from Industry sources, which generally reported statistics divided amongst five retail neighborhoods, to the three retail neighborhoods that we used. This was not an accurate procedure for analyzing the Manhattan Retail Market as it required that we make assumptions as to the relevance of the data we were obtaining. As a result, The Manhattan Retail neighborhood boundaries have been redrawn this year to enable the Division to utilize the various statistical reports from the industry when creating our Retail guidelines. The old neighborhoods were South of Grand Street, North of Grand Street to 110 Street, and North of 110<sup>th</sup> Street. The new neighborhoods are as follows: Downtown South of Grand Street, Midtown South (Grand Street to 30<sup>th</sup> Street), Midtown (30<sup>th</sup> Street to 59<sup>th</sup> Street), East side (59<sup>th</sup> Street to 96<sup>th</sup> Street), West Side (59<sup>th</sup> Street to 110 Street), and Upper Manhattan (North of 96<sup>th</sup> Street on the East Side, and North of 110 Street on the West Side). All of the retail property valuation documents have been coded with the new retail neighborhoods in order to streamline the retail valuation process.

### **New Industrial Neighborhoods for Manhattan**

Until this year, the Division created Factory and Warehouse guidelines for Manhattan that divided the borough into five zones, while the rest of the City's boroughs were divided between primary and secondary neighborhoods. In the interest of creating consistency, the Manhattan Factory and Warehouse guidelines are now divided into Primary and Secondary neighborhoods like the outer boroughs. Industrial property valuation documents have been coded with the new neighborhoods.

This year's instructions to assessors remain largely the same as last year's instructions. However, I have fine-tuned a few of the policies and procedures, as described above. Please use these instructions as they supercede any directives issued in the 04/05 Instructions to Assessors that were distributed to Assessors and posted on the Internet with the 04/05 Assessment Roll.

C:     Fadil Brija, Chief Assessor  
          Maurice Kellman, Chief Review Assessor  
          Angelo Santoro, Commercial Team Leader  
          Victor Moses, Residential Team Leader  
          Mark Sin, Industrial Team Leader  
          Jeffrey Ray, Specialty/REUC Team Leader  
          Bennett Minko, New Construction Team Leader  
          Warren Hyman, New Construction Team Leader