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Greg David: Another tax break that benefits the rich

City's property taxes need an overhaul.

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The complexities of New York City's property-tax system can make your head hurt. That's probably why the state Legislature will likely preserve an absurd tax break for co-op and condo owners. Here's the story. For decades, the city kept property taxes for single-family homes artificially low, especially compared with the suburbs, in a bid to preserve the middle class.

Following the wave of co-op conversions in the 1980s and the building of thousands of new condominiums, pressure mounted to extend a similar benefit to the owners of those apartments. That's exactly what happened in 1997.

Now the law of unintended consequences has taken over, as the Independent Budget Office's research has shown. Because of quirks in the city's tax-assessment practices, co-op and condo owners today get an even bigger benefit than homeowners, costing the city about \$260 million annually.

The biggest savings go to people who live in the best neighborhoods, particularly around Central Park and in brownstone Brooklyn. Meanwhile, rental apartments have been saddled with enormous property-tax bills and pay far more than their fair share, as the accompanying chart shows.

The IBO noted recently that at 101 Central Park West, where the average unit is valued at \$5.8 million, the effective tax rate is 52 cents per \$100 of market value. The citywide average for single-family homes is 78 cents.

In a column last year, I looked at the taxes for two apartment houses on Fifth Avenue. The co-op building at 810, home to the likes of Charles Bronfman and Peter G. Peterson, paid \$10.91 per square foot in taxes. The 208-unit luxury building next door paid \$22.62. What justifies that?

There are three classes of losers here: tenants, to the extent that property taxes are passed on in rent; landlords, to the extent the taxes can't be passed on because of market conditions; and people who need affordable housing, because it isn't going to be built if the property-tax problem isn't fixed.

It appears the Bloomberg administration tried to fix the problem, at least in part, by pushing proposals to limit the benefit for the most expensive co-ops and condos and eliminate it for investor-owned units. I say "appears" because it did so stealthily, working behind the scenes in Albany. Its efforts went nowhere. While the Legislature failed to act before it left town, the word is there is an agreement to extend the tax break retroactively.

No one understands why the mayor's people did it that way. Good, nonpartisan work from the IBO and the Furman Center at New York University has laid the groundwork for overhauling property taxes. Companies with large stakes in rental properties, like Related, would surely be willing to join a reform effort.

Let this be a lesson: Next time, the issue needs to be debated and pushed publicly.