

## 2022/23 Property Tax Assessments:

# Back up to Pre-COVID-19 Levels?



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In our article earlier this year before the New York City Department of Finance published the 2022/23 tentative property tax assessment roll, which reflects its valuations as of the January 5, 2022 taxable status date, we wondered whether the city would return values to their pre-COVID-19 levels, or instead would continue to reflect the negative impact on values brought about by the pandemic.

The final assessment roll that was published on May 25, 2022 (which affects property taxes due for the City's 2022/23 fiscal year July 1, 2022–June 30, 2023) answered those questions. By way of comparison, in the final assessment roll for 2020/21 (the tax year immediately preceding the pandemic), the published total market value of all real property in New York City was \$1.369 trillion. The following year, the City decreased the value of all NYC real property by 5.6%, to \$1.292 trillion. Now, in 2022/23, values have increased by almost 8%, to \$1.393 trillion — higher than before the pandemic hit (this is publicly available data from NYC Department of Finance).

Of course, parsing through this data reveals some interesting distinctions among property types. For example, focusing solely on the impact that COVID-19 had on commercial property assessed values, the city decreased that class of property by more than 17.4%, from a pre-COVID-19 high of \$326 billion to \$269 billion. Now, in 2022/23, the city raised the commercial valuations by just under 10%, to \$295 billion, still approximately 10% lower than where they were before COVID-19 hit.

Conversely, according to the city, valuations of residential properties (tax Class 2) recovered to pre-pandemic levels in one year. For 2020/21, the aggregate of residential values (excluding one- to three-family homes, which are defined within a different tax class) was \$347.6 billion. In 2021/22, they dropped by 8% to \$319 billion, reflecting COVID-19's impact. Now, in 2022/23, the city increased the total value of Class 2 properties to \$347.9 billion, right back to where they were before COVID-19 hit the city.

Ordinarily, for income-producing properties (which make up the bulk of properties in tax Classes 2 and 4), the Department of Finance relies on an analysis of actual income and expenses, reported to it through the Real Property Income and Expense (RPIE) filing process. To assist it in preparing the 2022/23 assessment roll, the Department of Finance had 2020 operating results from the RPIE filing that was made by property owners on or before June 1, 2021. Of course, this data was atypical, as 2020 was substantially impacted by COVID-19, which required the Department of Finance to significantly adjust the actual reported figures in order to derive 2022 valuations. This year's RPIE was due on June 1, 2022, and it required property owners to file calendar 2021 operating results. Of course, many NYC commercial (and some residential) properties were still reeling from the impact of COVID-19, so it will be interesting to see how the Finance Department adjusts the 2021 operating income and expenses to reflect values as of January 5, 2023.

We believe that unlike at the start of COVID-19,

where virtually all types of real property saw meaningful decreases in their values in the marketplace, the city is now at a point where valuations are very much dependent on the type of property being analyzed. For example, because of the influx of people coming back into the city, residential valuations have improved more quickly than, for example, hotel values. Hotel values continue to be impacted by the pandemic, which has forced hoteliers to decrease the average daily rate in order to maximize occupancy. Hotels continue to trade at severely depressed prices when compared with pre-COVID-19 sales.

Property owners and others responsible for paying the property tax should be ready to review their January 2023 assessments, and to discuss with their property tax counsel the benefits of filing a challenge to these valuations. Notices of Value reflecting these new valuations will be published by the Department of Finance on or about January 15, 2023. Finally, just a reminder that property tax petitions must be filed on or before October 24, 2022, in order to preserve the right to challenge the 2022/23 assessed values. There are no permitted exceptions or extensions of this legal deadline.

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