

# IT'S TIME TO GET CREATIVE

BY JOSIE FAASS, EXECUTIVE DIRECTOR

As we collectively stare down the holidays, the reality that our celebrations won't look or feel the same as in other years is inescapable. The range of differences varies, of course. For my family, it's planning our winter holidays without extended family for the first time ever. For many others, the difference, and the struggle, is far more profound. Unemployment in the U.S. is down to 6.7% now, a blessed drop from its peak in April, but that's still 3.2 percentage points higher than it was in February. And with the federal eviction moratorium expiring on December 31, some estimate that for as many as 19 million (largely black and brown, low income) Americans, will begin 2021 with a desperate search for a new home. Of course, many will be unsuccessful, and in addition to immense personal pain and suffering, there will be large and immediate costs to society, including those associated with the provision of emergency housing and medical care, as well as new strains on the foster and criminal justice systems.

What do we do? Well, many economists agree that a second federal stimulus package would be a very welcome intervention. But for the moment at least, nothing is forthcoming from Washington. And federal stimulus will only go so far. State and local solutions - tailored to the unique situations of each jurisdiction - will be integral to making it through the long, cold winter ahead. With that in mind, I want to discuss a local solution I think holds real potential for one of our nation's flagship cities hit hard by the COVID-19 pandemic: New York, NY.

New York City was the epicenter of the first coronavirus wave in the U.S., and by mid-October, the City's unemployment rate was twice the national average, and personal income tax revenues - the fiscal lifeblood of the City - were projected to be down \$2 billion for the year. These effects led many to turn to the history books, searching records of the 1970s fiscal crisis for clues as to what could be done to save the Big Apple. But at the Center for Property Tax Reform (CPTR), we think the right solution lies a bit farther back in the City's storied past, all the way back in 1920 to be exact. During these times, newly constructed housing was exempted from property taxes for a decade, spurring widespread construction of the NYC's now much sought-after "prewar apartments," with their fancy marble entries and blessedly thick walls.

CPTR's proposal is simple: add a 5th class to the City's property tax scheme for underutilized parcels and tax them, really tax them, to generate new revenue and encourage new use.

Why this approach? The Center's new GIS analysis of City tax data shows that about 28,000 properties across the boroughs can currently be described as vacant or blighted. And because their owners' tax bills are based on zoning, and NYC's (very convoluted) tax system puts a strong emphasis on improvement value, the tax-generated carrying cost of these properties is next to nothing. This is hard to believe considering New York's well-deserved reputation as one of the most expensive places to live on the planet.



## Letter from The Executive Director

What will a 5th class do? We will happen with the creation of a 5th class: It will provide an immediate revenue boon for the City, and a shift towards the sale and/or reuse of these currently unproductive properties. With just a 5% tax on land value, for example, NYC would see a property tax revenue increase of \$1.5 billion in the first year. Need more? Tax more. As the 1920s experience taught us, untax buildings and you'll get more higher-quality buildings. And those not willing or able to build will be encouraged by their suddenly higher tax bills to sell their land, making it available to new owners, which (especially with the City's help) could include land trusts and others dedicated to addressing New York's continuing affordable housing crisis.

The 2020 holiday season will be unlike any we've experienced. Although 2021 will likely begin on a very sour note for many of us, at RSF and CPTR we remain committed to devising economic solutions to our social problems. A 5th property tax class in New York City is not a silver bullet, but creative and effective local solutions like this one is instrumental in our economic recovery from COVID-19, and a return to a new, more equitable, normal.



CPTR's new GIS map lets users explore the thousands of vacant and blighted parcels across NYC.