

**City Council Budget and Oversight Hearing on the  
FY 2022 Preliminary Budget**

**Testimony given by  
Commissioner Sherif Soliman**

**March 24, 2021**

Good morning Chair Dromm, members of the Finance Committee, and all members with us today.

My name is Sherif Soliman, and I am the Commissioner of the New York City Department of Finance. Thank you for the opportunity to testify today on the Preliminary Budget for Fiscal Year 2022.

I am joined by Michael Hyman, First Deputy Commissioner of the Department.

Let me start by expressing my appreciation for your partnership in advancing priority initiatives, such as revamping the City's tax lien authority and enhancing the Property Tax and Interest Deferral (PT AID) payment plan program.

Together, we have made the lien process fairer and offered additional opportunities for relief for taxpayers facing hardship.

And I would be remiss if I did not acknowledge Speaker Johnson and the team at Council Finance with whom we continue to work on the jointly appointed New York City Advisory Commission on Property Tax Reform.

I look forward to working closely with you in my new capacity, as well as with members of the Committee I haven't met yet, in the weeks and months ahead.

By now you've heard testimony from several agencies that detailed the tumultuous year we've all experienced with a once-in-a-century pandemic that has wreaked havoc on all facets of our society.

Yet as we look back over the past year and the many ways that COVID disrupted the traditional norms of government operations, we must also take stock of the heroics of the City workforce.

Hundreds of DOF employees have remained at their posts from the beginning of the pandemic, providing continuity of service to New Yorkers in their hours of need.

Our business center teams have continued to report to work throughout the pandemic, serving the public with compassion and professionalism.

Our facilities team has been working almost non-stop for the past year to make our offices and business centers safe for both customers and staff.

And, as the public has come to know well, our Sheriff's Office has played an outsized role in the City's pandemic response, with deputies going above and beyond the call of duty, often at great personal risk, to keep our city safe. They have taken on many new responsibilities and done an outstanding job.

Department of Finance staff have stepped up in the face of unprecedented challenges, and I wanted to take this opportunity to commend them publicly.

Looking forward, as the agency responsible for collecting the revenue on which City services depend, the Department of Finance will play an important role in New York City's recovery.

While we acknowledge that we face a tough road ahead, we are optimistic for a full recovery for the benefit of all New Yorkers.

Our optimism is rooted in a number of positive signs that portend improvements in the City's fiscal position, our economy, and our public health:

- First and foremost, we are deeply grateful for the proceeds from the Biden Administration's American Rescue Plan, which will provide the proverbial shot in the arm our government needs to deliver for New Yorkers.
- Second, some of the tax revenues on which we depend have remained relatively stable, notably among them the City's personal income and business taxes.
- Third, the City has recovered nearly one-third of the jobs lost since the height of the pandemic and is expected to regain more as COVID restrictions are lifted.
- Finally, the massive vaccination effort underway is reaching more people, instilling confidence among the public on the vaccine's efficacy and providing the public health foundation upon which our recovery will be built.

While we are encouraged about what these developments may mean for recovery, challenges remain from this unprecedented public health and fiscal crisis.

The City's real estate market still faces headwinds, with residential sales and rental prices showing weakness in some areas, and there remains uncertainty on the demand for commercial office space.

Sales tax, hotel tax, and property transfer tax revenues remain down sharply, and the severe hit the tourism industry has taken will take some time to heal.

To aid small businesses in their recovery, Mayor de Blasio proposed the New York City Small Business Recovery Tax Credit, a \$50 million rental assistance program for up to 17,000 small businesses with gross revenue below \$1 million in the arts, entertainment, recreation, food services and accommodation sectors. The tax credit is equal to 6 percent of calendar year 2021 rent, up to a maximum credit of \$10,000. We look forward to the proposal becoming law.

Turning now to property taxes and the decline in market values in the tentative assessment roll for Fiscal Year 2022 released on January 15, 2021.

As you know, we are required to value properties based on their status and condition as of January 5 of each year—a date referred to as the “taxable status date.”

Our valuation methods rely on inputs like sales data, income and expense data, and construction activity.

But the timing and unique nature of the market disruption created by the pandemic presented major challenges in the valuation process. Historical trends became unusable and 2019 income and expense data did not reflect current market conditions.

To account for the pandemic's impact, it was necessary for our valuation team to factor in macroeconomic data for 2020—such as the unemployment rate, wage information, and industry data on office vacancy and absorption rates—and then develop the trend factor that would be used in the valuation process.

As a result, the tentative assessment roll for fiscal year 2022 shows the total market value of New York City properties at about \$1.3 trillion, a decrease of 5.2 percent from the previous year. Correspondingly, citywide assessed values fell by 3.9 percent, to \$260.3 billion.

The declines were primarily driven by market value decreases in Class 4 as hotels, retailers, and office buildings experienced the effects of the sharp drop in tourism, an acceleration of pre-COVID trends toward e-commerce, and the dramatic increase in telework leading to empty office buildings, among other things.

By contrast, one- to three-family homes in Class 1 saw a flat market value increase of 0.8 percent. Single-family homes saw a 2.9 percent increase, which is potentially indicative of increased market demand due to consumer preferences for properties in less densely populated areas of the City.

Although overall Class 1 market values remained flat, assessed values increased by 5.2 percent due to a state law provision that caps assessed value growth. The caps are well known for protecting homeowners when market values increase, but when market value growth is low or negative, a “catch up” effect causes assessed values to increase.

To address this, Mayor de Blasio has proposed a \$300 rebate for New Yorkers who own and live in properties with a market value of less than \$500,000. This rebate would essentially cover the tax increase that these homeowners would otherwise experience this year. We look forward to working with you and our state partners to enact the rebate.

While the Administration has proposed this rebate to help property owners affected by the pandemic, we know that significant reforms to the property tax system are needed. The Advisory Commission on Property Tax Reform issued the most significant reform recommendations of the past 40 years and we look forward to the Commission's final report to be issued later this year.

The Department of Finance will be fully involved in this process, and we look forward to working with you and hearing from the public as we press on with long-overdue reform.

We equally look forward to participating alongside you in a separate effort to explore further improvements to the tax lien program. Again, we thank you for your partnership in the recent

enactment of a fairer tax lien process, and trust that the task force authorized by this new law will propose recommendations outlining additional ways to continue to improve the process.

As our agency participates in these important reform efforts, we remain laser focused on the ongoing work of ensuring quality service delivery to all New Yorkers.

To that end, a number of new programs and services were instituted over the past year to make it easier, and safer, for members of the public to conduct their business with the Department of Finance.

- We have launched the New York City Tenant Access Portal for Rent Freeze Program participants, making it possible for participants to access and update important information. In addition, New Yorkers can now apply for Rent Freeze benefits online via the portal, and those enrolled in the program will soon be able to renew their benefits online.
- We have introduced PayPal and Venmo as options for paying parking tickets, and plan to make them available for other types of transactions in the near future.
- We introduced a pay-by-phone option for property taxes to give customers another payment option during the pandemic. In less than six months, we processed more than \$5 million in property tax payments by phone.
- We rolled out, one quarter earlier than anticipated, the property tax payment receipt that you and your colleagues passed.
- We debuted an appointment scheduling feature allowing customers who cannot complete their transactions online to visit our business centers safely, in accordance with social distancing guidelines.
- And we improved our business tax e-Services website to make it easier for businesses to navigate the business tax filing, refund, and payment processes.

We are also developing a number of new user-friendly features, including a series of property tax benefit outreach videos, a new chatbot tool, and an additional story map presentation with income and expense information for income-producing properties at the neighborhood level.

And finally, we retooled our operations in some areas to adapt to priority needs:

- We continue to vigorously pursue deed fraud, a crime that victimizes far too many vulnerable New Yorkers each year. Our Land Records Division has introduced optical character recognition, a powerful tool for identifying potential cases of deed fraud through better indexing, enhanced searches, and improved data extraction and discovery. We are working with the state legislature on passing stronger deed fraud legislation which would increase the penalties associated with forgery, the filing of false instruments, and fraudulent notarization practices.

In closing, I am extremely proud of the efforts made by the Department of Finance to serve the public during the pandemic. We know that many challenges and opportunities lie before us – we are ready to meet them. I look forward to the Council’s continued partnership as we join with all City agencies in contributing to New York’s recovery.

Thank you for the opportunity to testify today, and I look forward to the day—hopefully soon—that we can be together again in person. I would be happy to answer any questions that you might have.