

Bracing for impact: NYC property taxes and the uncertain road ahead - by Peter Blond



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Each year, starting around Labor Day, we typically receive a slew of requests for budgetary guidance regarding what may happen in January to real estate tax assessments citywide. While there is always a blindfold and a dart nature to the process, imagine predicting the future with a Zohran Mamdani mayoralty as the likeliest of outcomes. Most of our budgetary requests come from New York City cooperatives and residential condominiums and many are more concerned than usual considering those September requests were made in July this year.

New York City's already enormous budget will undoubtedly grow rapidly should Mamdani win and succeed in achieving only some of his stated goals, such as free busing, childcare and city constructed affordable housing. According to REBNY, New York City raked in a record \$37 billion in real estate taxes in 2024. That figure represented roughly half of the total revenue city-wide.

Since 2010, New York City

real estate related tax revenue has doubled while the city's budget grew approximately 89% over the same period. New York City has traditionally relied on three pillars of the local economy; Wall Street, tourism and real estate. There is presently widespread reporting of a substantial decrease in tourism and related city income. The same articles identify Canada and Europe as regions shunning travel to the United States and New York seems to be suffering disproportionately. There are also widespread rumors of the potential for a stock exchange to move out of the city (possibly to Texas), exacerbating the continued flow of big money out of the city and state. That all means real estate taxes will be increasing in 2026, or the city will be facing a massive shortfall with the continued slowdown of Federal funds post-pandemic.

Of course, none of the above remotely touches upon some of the bolder statements — if not concrete proposals by Mamdani's platform — such as freezing rents. New York City has long valued real estate (other than 1, 2 and 3 family houses), on an income and expense approach to value. By preventing any top line growth while simultaneously expecting landlords to pay higher property taxes (along with every other service and utility), Mamdani's strategy would untenably

kick another leg out from under the besieged multi-family industry that already has thousands of buildings underwater considering their well-documented debt service plight.

This ill-advised line of thinking directly caused many real estate related stocks — with significant exposure to New York City — to sink dramatically immediately following the primary. As a few examples, SL Green dropped 5.7%, Vornado 6.7%, and ESRT was down 7.6%, all in a day. As of late July, a full month after the primary, only Vornado's stock price has recovered from the fears precipitated by these assorted proposals. Those companies are exposed to the office market more so than the residential sector. Imagine the impact to “mom and pop” small property owners that do not have the deep pockets or ability to pool building resources, vendors and employees.

While all the concern is appropriate, as always when budgeting, one must heavily weigh timing. Regardless of who ends up the next mayor, the Department of Finance (DOF) is already certainly working on 2026/27 assessments. The next mayor will not even take office until January 1st, 2026, while the new assessed values should be released by DOF on or about January 15th, 2026. Accordingly, should the City's budgetary needs explode as antic-

ipated in the case of a Mamdani victory, the increase in tax bills may have to largely come via a massive tax rate increase as opposed to valuation-based assessment increases.

Tax rate increases that could shake the city have happened before. In fact, when Michael Bloomberg took office in 2002, tax rates leapt nearly 20% in one calendar year (2002 to 2003). While nobody was likely happy about it, the city had monumental expenses coming out of 9/11 and the “dot.com” bust, which may have minimized the outrage compared to what may be on the horizon under Mamdani.

With that in mind, ponder that many companies may be facing increased business taxes, real estate taxes and income taxes for their ownership and employees simultaneously. Due diligence eternally demands that you consult with your retained counsel to review your valuation annually for accuracy. With the specter of diminished property values, capped rents and other negative impacts to valuation impacting every property citywide, it is prudent to make certain you have experienced tax assessment protest counsel retained before assessments are released in January.

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