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Kahr Notes

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"Kahr Notes" is an electronic newsletter from Kahr Real Estate Services LLC that carries interviews, news, and original research.

If you know of someone who would enjoy receiving this newsletter, please pass it along.

To subscribe to "Kahr Notes", go to <http://www.kahrrealestate.com/press.shtml>.

In "Kahr Notes" this month:

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2. The New York City Tax Assessment System: Broken and Dangerous
3. More fun with Argus. another class starts on 2/15

1. Opening Shot

Welcome to another issue of Kahr Notes.

The last few months have been pretty good for Kahr Real Estate Services. As you'll read in Part 2, I recently completed a major project on the tax assessment system of the City of New York. This study was big not only for me professionally, but also for what it says about New York City's ability to collect revenue in the future. Read Part 2 and the press coverage; you'll be stunned at what I found.

The other bit of big news for the company is that I'm finally hiring some staff. This will help me be able to better service my clients, and also I might be able to finally take a vacation.

Finally, for the first time, one of my interviews was carried in a print magazine, the Stamford Review. The interview is with Julian Adams, former head of the Technical Services Unit of the New York State Historic Preservation Office. You can download it, and the rest of the Winter 2005 issue from:

<http://www.stamfordreview.com/downloads-current.php>

You can also review the table of contents at:

<http://www.stamfordreview.com/inside.php>

It's a good magazine with interesting articles. Download it; you'll be glad you did.

Regards,
Joshua Kahr
Editor/Publisher, Kahr Notes

2. The New York City Tax Assessment System: Broken and Dangerous

I recently completed a major study on the fairness and accuracy of New York City's tax assessment system. This study compared sales of commercial property in 2003 with the assessed value. The study found a number of significant findings:

KEY FINDINGS

* The average assessment ratio (of the assessment value to the market value) was approximately 25% instead of the stated target ratio of 45% for 1,111 sales in 2003. This means that the City of New York is not collecting hundreds of millions of dollars that they are entitled to collect.

* It is reasonable to assume that this underassessment is probably a city-wide issue and applies to more than just recent sales.

* As a "sales ratio study" can be used in court by property owners that are contesting their taxes to prove that they are being unfairly taxed, the City of New York is at immediate risk to lose an additional \$2.9 billion dollars per year.

* There is the possibility that a tax loss of this size could endanger the City's bond rating.

WHY WAS THIS NOT DISCOVERED BEFORE?

This study had not been completed before because of the difficulty of obtaining the data. Even though the law requires the City to release the data to the State, the City had not released it. Additionally, while they posted the sales individually on their web site, they did not have a means to make available the data in a compiled form. To solve this problem, a programmer was hired to develop a program that downloaded over 13,000 individual sale transactions one at a time over a two week period. The data was then compiled into a common data format so that it could be analyzed.

PRESS COVERAGE

New York Post, 12/3/04, Page 2, PROP-TAX 'BLUNDER' COSTS CITY BILLIONS

<http://www.newyorkpost.com/news/regionalnews/32358.htm>

New York Daily News, 12/3/04, Page 97, Lowball estimates tax city for billions

<http://www.nydailynews.com/12-03-2004/news/story/258361p-221298c.html>

Real Estate Weekly, 12/8/04, Page 1, Cheap Shot! Industry slams prop-tax report

<http://www.kahrrealestate.com/Real%20Estate%20Weekly,%20120804.pdf>

You can listen to a radio show about it:

http://www.kahrrealestate.com/12_01_2004_FINAL.mp3

In addition to Joshua Kahr, the other two guests are Henry Garrido (Assistant Associate Director, DC 37) and David Moog (Pres. Local 1757, NYC Assessors, Appraisers and Mortgage Analysts). The show was called "NYC's Commercial Properties Under Assessed - Billions of Dollars Lost Yearly Due to Lack of Assessors"

This show first aired on WNYE 91.5 on December 6 at 8 pm.

You can also read the study and the press release and decide for yourself. The entire study can be downloaded here:

<http://www.kahrrealestate.com/Tax%20Assessment%20Ratio%20Study%20for%20Tax%20Class%202%20and%204.pdf>

The press release that accompanied its release can also be downloaded from here:

<http://www.kahrrealestate.com/Assessors%20Press%20Conference.doc>

WHAT NEXT?

It will also be submitted shortly to a leading academic journal for publication and peer review. After publication, the data set will be made available to other researchers for review.

Unfortunately, New York City is not alone in its tax assessment troubles. Many municipalities could use help in updating or clarifying their tax assessment process. One of our key consulting services is to work with municipalities to fix their tax assessment systems.

3. More fun with Argus. another class starts on 2/15

My Argus class remains a perennial favorite. It continues to sell out month after month. If you have no experience with Argus, or if you would like to know it a whole lot better, you need to take my course. The price is reasonable (\$475 a head) and will save you months of aggravation trying to figure the darn thing out.

I have another course starting on 2/15. If you'd like to sign up, there are still a few spots left. You can read more about the course, and sign up at:

<http://www.kahrrealestate.com/argustraining.shtml>

On a related note, I continue to refine my training materials and manual for the class. Expect to see it in a bound and printed form sometime in the next six months. I'll be testing the entire manual out in an undergraduate real estate finance class that I'm teaching in the Spring at Baruch College, the business school of the City University of New York.

