



NEW YORK CITY BANKING COMMISSION

66 John Street, New York, NY 10038

Telephone: (212) 291-4840

Mary Christine Jackman, *Secretary*

May 13, 2022

Honorable Adrienne Adams
Speaker, New York City Council
ATTN: Jonathan Ettricks
City Hall
New York, NY 10007

Re: FY2023 Interest Rates Recommendations for:

Early Payment (Discount) of Property Taxes; and
Late-Payment of Property Taxes

Dear Speaker Adams:

Pursuant to Section 11-224.1 of the New York City Administrative Code and Section 1519-a of the New York City Charter, at its meeting on May 12, 2022, the NYC Banking Commission approved resolutions recommending to the City Council the following proposed FY2023 interest rates for the discount rate for early property tax payments and the rates for non-payment of property taxes:

- a. One-half of one percent (**0.50%**) discount per annum for early payment of real estate taxes;
- b. Six percent (**6.0%**) per annum for non-payment of property taxes with an assessed value of not more than two hundred fifty thousand dollars (\$250,000), or not more than two hundred fifty thousand dollars (\$250,000) per residential unit for co-ops;
- c. Twelve percent (**12.0%**) per annum for non-payment of property taxes with an assessed value of no more than two hundred fifty thousand dollars (\$250,000), but less than four hundred fifty thousand dollars (\$450,000), or not more than two hundred fifty thousand dollars (\$250,000), but less than four hundred fifty thousand dollars (\$450,000) per residential unit for co-ops;
- d. Eighteen percent (**18.0%**) per annum for non-payment of property taxes with an assessed value of more than four hundred fifty thousand dollars (\$450,000), or more than four hundred fifty thousand dollars (\$450,000) per residential unit for co-ops.

The Commission also voted on officially designating Webster Bank as a NYC Designated Bank. Webster Bank recently acquired Sterling National Bank, which had been a designated bank since 2017. The former entity Sterling National Bank had several construction loan accounts with the Department of Housing Preservation and Development (HPD), and Webster Bank needs to be designated to hold those deposits. Lastly, the Commission voted on making a \$10 Million deposit at Ridgewood Savings Bank's Banking Development District (BDD) branch located at 3889 Sedgwick Avenue in the Bronx. Attached are copies of the Banking Commission resolutions.

Sincerely,

Mary Christine Jackman
Assistant Commissioner and Treasurer
NYC Department of Finance

Attachment

Cc: Honorable Eric Adams
Comptroller Brad Lander
Commissioner Preston Niblack, NYC Department of Finance
Deputy Chief of Staff to the 1st Deputy Mayor Bassal Omar
Assistant Comptroller for Policy Annie Levers

RESOLUTION NO. 1 – FY2023 EARLY PROPERTY TAX PAYMENT DISCOUNT RATE RECOMMENDATION

WHEREAS, pursuant to Section 1519-a of the New York City Charter, the Banking Commission shall send a written recommendation to the City Council of a proposed discount percentage for the early payment of property taxes for the ensuing fiscal year no later than the thirteenth of May, and

WHEREAS, from April 2021 to May 2022, NYC's monthly average rates on City investments ranged from .07% to .44%. The Banking Commission's impact analysis for FY2023 projects that the return on investments rate will result in \$1.4 Million of interest earned on taxes collected early. This will not offset estimates of forgone tax revenue of negative \$10.8 Million (discount given) plus forgone interest income on forgone taxes of (\$10k), resulting in a net loss in revenue to the City of negative \$9.5 Million, and

WHEREAS, Semi-annual payers are billed twice per year and Quarterly payers four times, at an estimated total cost of \$7.40 per invoice. When taxpayers pay their entire year's property tax early, eliminating the need for further billing, the City saves from processing fewer invoices. In FY2022, a total of 177,966 taxpayers made early payments saving NYC an estimated \$1.3 million in invoicing and administrative costs. If similar savings are realized in FY2023, the total impact of the 50 bps discount will be negative \$8.2 Million, and

WHEREAS, New York City's Cash Flow projection for June 30th, 2022, the end of FY22, is \$7 billion. At the close of FY21 on June 30th, 2021, actual cash on hand at the close of the business day was \$8.7 billion, a difference of \$1.7 billion. The Banking Commission does not recommend increasing the discount rate from 50 bps (0.50%) to 100 bps (1.0%). A 1.0% rate will not materially increase the cash flow but would further reduce the City's net income from negative \$9.5 million to negative \$20.3 million, and

WHEREAS, there is no economic reason for the Banking Commission to change the discount rate of 50 bps (0.50%) in FY2023. The impact of having this discount rate in place translates to a total net loss to the City of negative \$8.2 Million. If the Council default rate of 53 bps (0.53%) were to be invoked, the City's net loss would increase to negative \$10.1 Million. If the Banking Commission were to increase the discount rate to 100 bps (1.0%), this would result in an even greater revenue loss of approximately negative \$20.3 Million; now, therefore be it

RESOLVED, the Banking Commission recommends to the City Council that the discount rate for the early payment of real property taxes shall remain at 50 basis points (0.50%) per annum for FY2023, and be it further

RESOLVED, that said discount rate is to be offered only for that portion of the real estate tax that is paid before the due date.

RESOLUTION NO. 2 – FY2023 LATE PROPERTY TAX PAYMENT INTEREST RATE RECOMMENDATION FOR PROPERTIES ASSESSED NO MORE THAN \$250,000

WHEREAS, pursuant to the New York City Administrative Code Section 11-224.1, the Banking Commission is required to recommend to the City Council, no later than the thirteenth of May, the proposed interest rates to be charged for non-payment of taxes for properties with an assessed value of not more than two hundred fifty thousand dollars (\$250,000), or not more than two hundred fifty thousand dollars (\$250,000) per residential unit for co-ops, and

WHEREAS, the proposed interest rate shall be at least equal to the prevailing interest rate charged for commercial loans extended to prime borrowers by commercial banks operating in the City (the “prime rate”), and

WHEREAS, the Banking Commission notes that as of May 12, 2021 said prime rate stands at four percent (4.0%), as published by the Board of Governors of the Federal Reserve System, and

WHEREAS, the Federal Reserve plans to raise interest rates multiple times this year, and has acted to scale back other pandemic-era economic supports, in order to strengthen its efforts to fight the highest inflation in 40 years. The Federal Reserve is expecting that a steady series of rate hikes will slash inflation and stabilize the economy, at a time when there is much uncertainty in the global economy, and

WHEREAS, it is in the City’s best interest to encourage the prompt payment of real estate taxes by all taxpayers, and, therefore, be it

RESOLVED, the Banking Commission recommends to the City Council that the penalty interest rate to be charged for non-payment of taxes for all properties with an assessed value of not more than two hundred fifty thousand dollars (\$250,000), or not more than two hundred fifty thousand dollars (\$250,000) per residential unit for co-ops, be set at six per cent (6.0%) per annum for tax year 2023.

RESOLUTION NO. 3 – FY2023 LATE PROPERTY TAX PAYMENT INTEREST RATE RECOMMENDATION FOR PROPERTIES ASSESSED GREATER THAN \$250,000 BUT LESS THAN \$450,000

WHEREAS, pursuant to Local Law 24 of 2021, the Banking Commission is required to recommend to the City Council, no later than the thirteenth of May, the proposed interest rate to be charged for non-payment of taxes for properties with an assessed value of more than two hundred fifty thousand dollars (\$250,000) but less than or equal to four hundred fifty thousand dollars (\$450,000), or more than two hundred fifty thousand dollars (\$250,000) but less than or equal to four hundred fifty thousand dollars (\$450,000) per residential unit for co-ops, and

WHEREAS, said provisions of Local Law 24 require the Banking Commission to propose a rate at least four percentage points (4.0%) per annum greater than the prevailing interest rate charged for commercial loans extended to prime borrowers by commercial banks operating in the City (the “prime rate”), and

WHEREAS, the Banking Commission notes for the record that as of May 12, 2022 said prime rate stands at four percent (4.0%), as published by the Board of Governors of the Federal Reserve System, and

WHEREAS, it is in the City’s best interest to encourage the prompt payment of real estate taxes by all taxpayers, now, therefore, be it

RESOLVED, the Banking Commission recommends to the City Council that the penalty interest rate to be charged for non-payment of real property taxes where the assessed value of a property is more than two hundred fifty thousand dollars (\$250,000), but less than or equal to four hundred fifty thousand dollars (\$450,000), or more than two hundred fifty thousand dollars (\$250,000) but less than or equal to four hundred fifty thousand dollars (\$450,000) per residential unit for co-ops, be set at twelve per cent (12%) per annum for FY2023.

RESOLUTION NO. 4 – FY2023 LATE PROPERTY TAX PAYMENT INTEREST RATE RECOMMENDATION FOR PROPERTIES ASSESSED GREATER THAN \$450,000

WHEREAS, pursuant to the New York City Administrative Code Section 11-224.1, the Banking Commission is required to recommend to the City Council, no later than the thirteenth of May, the proposed interest rate to be charged for non-payment of taxes for properties with an assessed value of more than four hundred fifty thousand dollars (\$450,000), or more than four hundred fifty thousand dollars (\$450,000) per residential unit for co-ops, and

WHEREAS, said provisions of the Administrative Code require the Banking Commission to propose a rate at least six percentage points (6.0%) per annum greater than the prevailing interest rate charged for commercial loans extended to prime borrowers by commercial banks operating in the City (the “prime rate”), and

WHEREAS, the Banking Commission notes for the record that as of May 12, 2022 said prime rate stands at four percent (4.0%), as published by the Board of Governors of the Federal Reserve System, and

WHEREAS, it is in the City’s best interest to encourage the prompt payment of real estate taxes by all taxpayers, now, therefore, be it

RESOLVED, the Banking Commission recommends to the City Council that the penalty interest rate to be charged for non-payment of real estate taxes where the assessed value of a property is more than four hundred fifty thousand dollars (\$450,000), or more than four hundred fifty thousand dollars (\$450,000) per residential unit for co-ops, be set at eighteen per cent (18%) per annum for FY2023.

RESOLUTION NO. 5 – 2022 APPROVAL OF WEBSTER BANK AS A NYC DEPOSITORY BANK

WHEREAS, pursuant to Section 1524 of the New York City Charter, the Banking Commission is responsible for designating banks that are permitted to hold City funds; and

WHEREAS, pursuant to Title 22 of the Rules of the City of NY (RCNY) Section 1-03(b), the term of a designation shall be for a period of no longer than two years, unless the Banking Commission by majority vote extends such designation period; and

WHEREAS, Sterling National Bank, which is currently a NYC Designated Bank, was acquired by Webster Bank as of February 1, 2022; and

WHEREAS, the former Sterling National Bank has been active in supporting approved affordable housing projects for the NYC Department of Housing Preservation and Development (HPD), such as working with the Banana Kelly Community Improvement Association in the Bronx, the West Farms Project, and the Acacia Network in East Harlem to create and preserve affordable housing units for those New Yorkers most in need of a home, and

WHEREAS, the former Sterling National Bank has entered into various loan servicing agreements with HPD, recently closing on two additional transactions with subsidy loan funds from HPD being held until designation for Webster Bank can be obtained; and

WHEREAS, Webster Bank has submitted the required documents and met the requirements to become a NYC Depository Bank.

Therefore, be it;

May 13, 2022

Honorable Adrienne Adams

Interest Rate Recommendations – FY2023

RESOLVED, the Banking Commission hereby approves the designation of Webster Bank as a NYC Depository Bank for a period beginning on May 12, 2022, lasting no later than May 31, 2023.

RESOLUTION NO. 6 – RIDGEWOOD SAVINGS BANK BDD DEPOSIT

WHEREAS, the New York State Department of Financial Services has approved a third branch of Ridgewood Savings Bank to participate in the Banking Development District (BDD) program; and

WHEREAS, Ridgewood Savings Bank has requested that the City of New York make a \$10 Million deposit at its Bronx BDD branch located at 3889 Sedgwick Avenue in the Bronx: therefore, be it

RESOLVED, the Banking Commission approves a \$10 Million City BDD deposit at the Ridgewood Savings Bank Bronx BDD branch.

Dated May 13, 2022

The NYC Banking Commission unanimously approved Resolutions No. 1-6.