



## NEW YORK CITY BANKING COMMISSION

66 John Street, New York, NY 10038  
Telephone: (212) 291-4840  
Mary Christine Jackman, *Secretary*

May 13, 2021

Honorable Corey Johnson  
Speaker, New York City Council  
ATTN: Jonathan Ettricks  
City Hall  
New York, NY 10007

**Re: FY2022 Interest Rates Recommendations for:**

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

Dear Speaker Johnson:

Pursuant to § 11-224.1 of the New York City Administrative Code and § 1519(a) of the New York City Charter, at its meeting on May 13, 2021, the NYC Banking Commission approved resolutions recommending to the City Council the following proposed FY2022 interest rates for the discount rate for early property tax payments and the rates for late payment of property taxes:

- a. One-half of one percent (**0.50%**) discount per annum for early payment of real estate taxes;
- b. Three point twenty-five percent (**3.25%**) per annum in the first quarter (July 1, 2021 to September 30, 2021) for late 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. Four and one-half percent (**4.5%**) per annum in the second, third, and fourth quarters (October 1, 2021 to June 30, 2022) for late 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;
- d. Twelve percent (**12.0%**) per annum for late payment of property taxes 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;
- e. Eighteen percent (**18.0%**) per annum for late 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 Banking Commission also recommends that the Administration and City Council adopt local legislation to repeat the COVID relief program developed last year to provide additional help for those negatively impacted by the pandemic during the first quarter of FY22 whereby property owners impacted by COVID and whose properties have an assessed value of no more than \$250,000 will pay 0% interest and some property

owners impacted by COVID and whose properties have an assessed value of greater than \$250,000 will pay 7.5% interest.

The Commission also voted on transferring a Popular Bank \$10 Million Banking Development District (BDD) deposit from its now-closed East Houston Street branch, formerly located at 310 East Houston Street, in the Lower East Side neighborhood in Manhattan, to its Delancey Street branch, located at 134 Delancey Street, also in the Lower East Side neighborhood of Manhattan, approximately 0.4 miles from the East Houston Street Branch, and within the existing Lower East Side BDD. Lastly, the Commission voted on making a \$10 Million deposit at Popular Bank's East Harlem BDD branch located at 164 East 116th Street in Manhattan. Attached are copies of the Banking Commission resolutions.

Sincerely,

Mary Christine Jackman  
Assistant Commissioner and Treasurer  
NYC Department of Finance

Attachment

Cc: Honorable Bill de Blasio  
Comptroller Scott M. Stringer  
Commissioner Sherif Soliman, NYC Department of Finance  
Chief Strategy Officer for NYC Deputy Mayor for Operations Julie Bero  
Assistant Comptroller for Economic Development Brian Cook

## **RESOLUTION NO. 1 – FY2022 EARLY PROPERTY TAX PAYMENT DISCOUNT RATE RECOMMENDATION**

**WHEREAS**, the decrease in interest rates due to the COVID-19 pandemic has caused the City to earn less income than it had previously on property taxes paid early. From April 2020 to May 2021, NYC's quarterly average rates on its investments ranged from 0.13% to 0.11%. in comparison to FY2020 from 1.09% - 2.16%, and

**WHEREAS**, the Banking Commission's impact analysis for FY2022 projects that this return on investments rate will result in \$1.8 Million of interest earned on taxes collected early at 50bps (0.50%) and an additional estimated \$1.3 million in invoicing and administrative costs. This will not offset estimates of forgone tax revenue of (\$10.1 Million) (discount given) plus forgone interest income on forgone taxes of (\$14k), resulting in a net loss in revenue to the City of (\$7 Million), and

**WHEREAS**, New York City's cash flow projection for June 30th, 2021, the end of FY21 is \$5.4 billion. At the close of FY20 on June 30th, 2020, actual cash on hand at the close of the business day was \$6.8 billion, a difference of \$1.4 billion. The lower cash flow projection for June 30th justifies the retention of a discount rate to encourage the early payment of property taxes in July. However, the Banking Commission does not recommend increasing the discount rate from 50 bps (0.50%) to 100bps (1.0%) as a 1.0% rate most likely would not materially increase the cash flow but would further reduce the City's net income from (\$8.3 Million) to (\$18.5 Million), and

**WHEREAS**, there is no economic reason for the Banking Commission to change the discount rate of 50 bps (0.50%) in FY2022. The impact of having this discount rate in place translates to a total net loss to the City of (\$7.0 Million). If the Council default rate of 19.5 bps (0.195%) were to be invoked, the City's net loss would decrease to (\$2.0 Million). If the Banking Commission were to increase the discount rate to 100 bps (1.0%), this would result in an even greater net negative of ~(\$18.5 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 FY2022, 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 – FY2022 LATE PROPERTY TAX PAYMENT INTEREST RATE RECOMMENDATION FOR PROPERTIES ASSESSED NO MORE THAN \$250,000**

**WHEREAS**, pursuant to the New York City Administrative Code § 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 late 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 13, 2021 said prime rate stands at three point twenty-five percent (3.25%), as published by the Board of Governors of the Federal Reserve System, and

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

**WHEREAS**, many property tax owners whose properties are assessed at no more than \$250,000 have been adversely affected by the economic consequences of the COVID-19 pandemic and the lowest interest rate that the Banking Commission can recommend for this category of property owners is the current prime rate of 3.25%, and

**WHEREAS**, decreasing the current penalty rate of 5.0% to 3.25% in the first quarter and 4.5% for the second, third, and fourth quarters in Fiscal Year 2022 for assessed properties valued at no more than \$250,000 is consistent with past years' decreases and the current Federal Reserve position of holding rates at current levels, and

**WHEREAS**, the property tax balance (amount past due) decreased from \$419.8 million in FY20 to \$389.2 million in FY21, a decrease of 7.3% or ~\$30.6 million, and

**WHEREAS**, the amount past due for quarterly accounts (assessed properties < \$250,000) decreased from 11.9% to 9.0% or a decrease of 24.5%. The City's overall past due rate went from 12.66% in FY20 to 9.89% in FY21, now, therefore, be it

**RESOLVED**, the Banking Commission recommends to the City Council that the interest rate to be charged for late 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 reduced from five per cent (5.0%) per annum to three point twenty-five percent (3.25%) in the first quarter, and four and one-half percent (4.5%) per annum for the second, third, and fourth quarters for tax year 2022, and be it further

**RESOLVED**, the Banking Commission also requests that the Administration and City Council adopt local legislation to repeat the COVID relief program developed last year to provide additional help for those who have demonstrated continued hardship caused by the COVID-19 pandemic.

**RESOLUTION NO. 3 – FY2022 LATE PROPERTY TAX PAYMENT INTEREST RATE RECOMMENDATION FOR PROPERTIES ASSESSED GREATER THAN \$250,000 BUT LESS THAN OR EQUAL TO \$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 late 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, or where, irrespective of the assessed value, the parcel consists of vacant or unimproved land, 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 13, 2021 said prime rate stands at three point twenty-five percent (3.25%), 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 interest rate to be charged for late 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, or where, irrespective of the assessed value, the parcel consists of vacant or unimproved land, be set at twelve per cent (12%) per annum for FY2022.

#### **RESOLUTION NO. 4 – FY2022 LATE PROPERTY TAX PAYMENT INTEREST RATE RECOMMENDATION FOR PROPERTIES ASSESSED GREATER THAN \$450,000**

**WHEREAS**, pursuant to the New York City Administrative Code § 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 late 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 13, 2021 said prime rate stands at three point twenty-five percent (3.25%), 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, and

**WHEREAS**, the number of semi-annual properties (assessed values >\$250,000) charged interest increased from 8,058 in FY2020 to 9,623 in FY2021 or 19.4%. The Banking Commission does not believe that this increase is attributable to the 18% penalty rate which has not changed in decades, and

**WHEREAS**, the City's overall delinquency rate (both quarterly and semi-annual property) decreased from 12.66% to 9.89% or 21.88%. There continues to be a positive impact on New York City revenue when considering interest paid for both semi-annual and quarterly accounts of \$49.3 million, offset by the negative (\$1.2 million) of forgone interest/investment revenue, resulting in a positive \$48.1 million in net revenue. There is no compelling reason for the Banking Commission to either raise or lower the penalty rate in FY2022 for semi-annual taxpayers, now, therefore, be it

**RESOLVED**, the Banking Commission recommends to the City Council that the interest rate to be charged for late 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, or where, irrespective of the assessed value, the parcel consists of vacant or unimproved land, remain at eighteen per cent (18%) per annum for FY2022.

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## **RESOLUTION NO. 5 – POPULAR BANK BDD DEPOSIT TRANSFER**

**WHEREAS**, Popular Bank's East Houston Street branch, located at 310 East Houston Street, in the Lower East Side neighborhood in Manhattan, was closed on January 29, 2021; and

**WHEREAS**, The East Houston Street branch held a City BDD deposit of \$10 Million; and

**WHEREAS**, Based on the recommendation of the NYS Department of Financial Services, the Commission recommends that the City's \$10 Million BDD deposit be transferred to the bank's Delancey Street branch, located at 134 Delancey Street, also in the Lower East Side neighborhood of Manhattan, approximately 0.4 miles from the former East Houston Street Branch, and within the existing Lower East Side BDD, therefore, be it

**RESOLVED**, the Banking Commission approves the transfer of the City's \$10 Million BDD deposit from Popular Bank's now-closed East Houston Street branch to its Delancey Street branch.

## **RESOLUTION NO. 6 – POPULAR BANK BDD DEPOSIT**

**WHEREAS**, Popular Bank has requested that the City of New York make a \$10 Million deposit at its East Harlem BDD branch located at 164 East 116<sup>th</sup> Street in Manhattan: therefore, be it

**RESOLVED**, the Banking Commission approves a \$10 Million City BDD deposit at the Popular Bank East Harlem BDD branch.

Dated May 13, 2021

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