

Commercial Real Estate Taxes Keep Rising While ...

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Government waste, fraud and abuse exacerbate the need for more tax revenue

New York is the country's leader in many things. It is the largest city by population, and has more office space, more hotel rooms and more dwelling units than any other U.S. city. More tourists visit the Big Apple than any other metropolis. Some of the hundreds of categories in which New York City leads the nation are obvious, while others, like rooftop agriculture, are more obscure. We have more of a lot of stuff that is bigger, better and more voluminous than anywhere else.

In most cases, being the leader is very positive. But in some cases, it's not so great—like being the leader in commercial real estate taxes. Of course our taxes are higher per square foot than anywhere else, but our rent levels per square foot are also the highest, so this is to be expected. However, on a percentage of revenue basis, New York blows every other city in the nation away. And things are getting worse.

I spoke at commercial real estate conference in Miami a few months ago, and there were property owners attending from all over the country. None of them were particularly concerned about the level of real estate taxes they were paying, with the exception of an owner of rental apartment buildings in Houston. He was surprised that in a state like Texas, which is very pro-business and anti-tax, his real estate taxes were approaching 10 percent of gross revenue. When I told him that in New York City they are approaching, and in some cases



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exceeding, 30 percent, he nearly choked.

So why are our real estate taxes so high? Why do elected officials treat income-producing properties like ATM machines in order to plug holes in municipal budgets? With our income tax rates and commercial real estate taxes both the highest in the country, having adequate revenue is clearly not New York's

problem. If you believe the revenue side of the balance sheet is high enough, this leaves spending cuts as the obvious way to create some relief when it comes to our real estate tax burden.

I often ask politicians what specific budget line-item they would consider reducing spending on. I have never received a straight answer to this question. Most of the time, I get the “waste, fraud and abuse in government” answer, which is generally a meaningless response when a courageous answer is required. While no statistics are kept on this issue, one would have to wonder if New York is the leader in “waste, fraud and abuse.” Reading local papers for the past few years, one gets the sense that we just might be. If so, opportunity is knocking for those who use that phrase to get to the business of riding the city and the state of these revenue-evaporating practices.

Gov. Cuomo has been doing a great job thus far and has accomplished much more than most political pundits predicted. However, his vow to clean up Albany (and all misconduct in state and local gov-

ernment) is being put to the test. Will his Joint Commission on Public Ethics do what it was set up to do? In a major test, the recent allegations against Assemblyman Vito Lopez were met with JCOPE announcing an investigation of Lopez, but they initially chose to not investigate Speaker Sheldon Silver, who allegedly arranged a backroom payoff of the victims using taxpayer money. Subsequently, external pressure added the speaker to the investigation.

While the Lopez matter has made headlines recently, abuses by elected officials with ties to supposed nonprofit organizations have been brought to light at an alarming rate. The examples are numerous and include ex-Senator Vincent Leibell, ex-Senator Pedro Espada, Efrain Gonzales, Larry Seabrook, Miguel Martinez, Gloria Davis and Brian McLaughlin. Recently we have seen investigations begin of Senator Shirley Huntley and Assemblywoman Naomi Rivera. The game is simple: create a nonprofit organization, use your political influence to obtain taxpayer dollars and load up the entity's payroll

with relatives, lovers and political friends, giving them exorbitant salaries and massive expense accounts. No wonder a bagel and coffee goes for \$177 (only if you are expensing it on the taxpayer's dime).

If elected officials really want to eliminate waste, fraud and abuse in government, JCOPE should investigate all nonprofits set up by elected officials, and legislation should be enacted to prevent public funds from going to any of these entities. New York has many nonprofit organizations that do incredible work for those who need a helping hand; therefore, the actions of a few should not sully the work of the rest. However, if there is hope that our real estate taxes are not going to continue to spiral out of control, spending needs to be controlled, and these politically backed sham nonprofits are a great place to start.

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