



NEW YORK CITY COMPTROLLER
BRAD LANDER

Fiscal Policy Annual Meeting

Federal Reserve Bank of New York

JUNE 26, 2023

Outline

- New York City's economy
- The fiscal outlook
- Fiscal policy



An aerial view of a city skyline, likely New York City, with a blue overlay. The Chrysler Building is prominent on the left. A central text box contains the title.

The City's Economy

Jobs are back near historic levels

NYC private sector jobs (Index, Jan 2000 = 100)

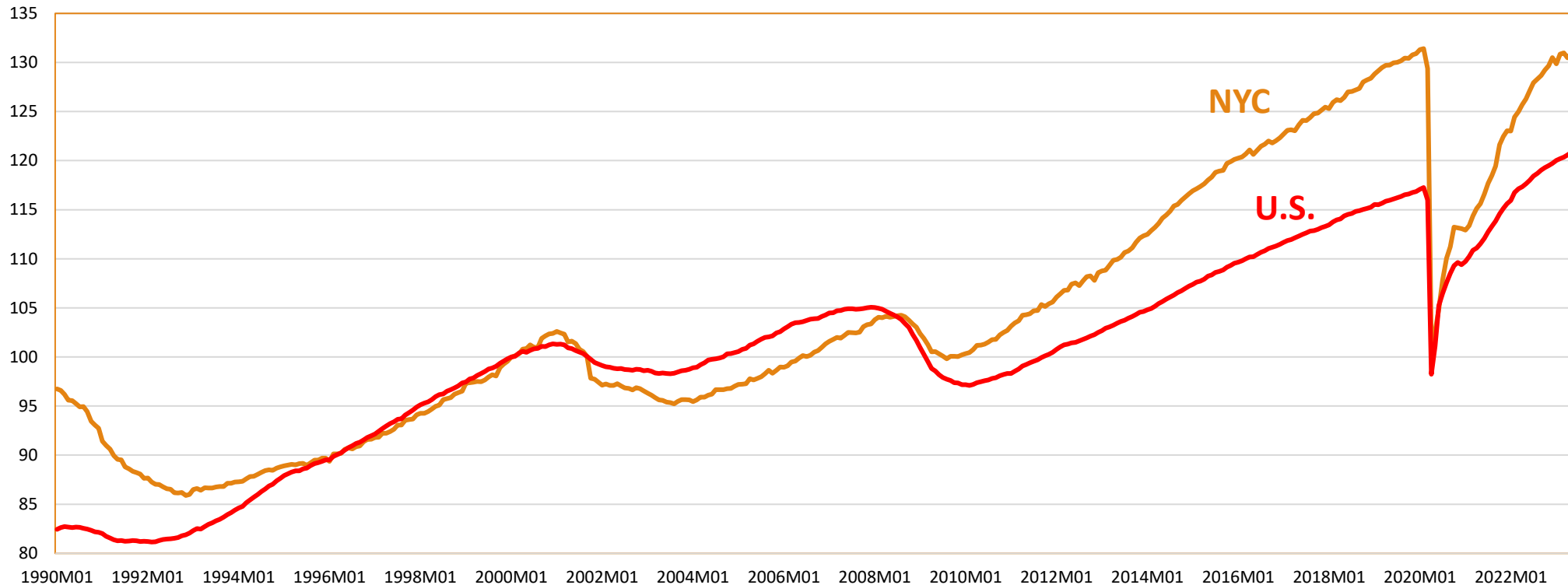


Source: NYC OMB.



NYC job growth has recently slowed below its extraordinary pre-pandemic trend

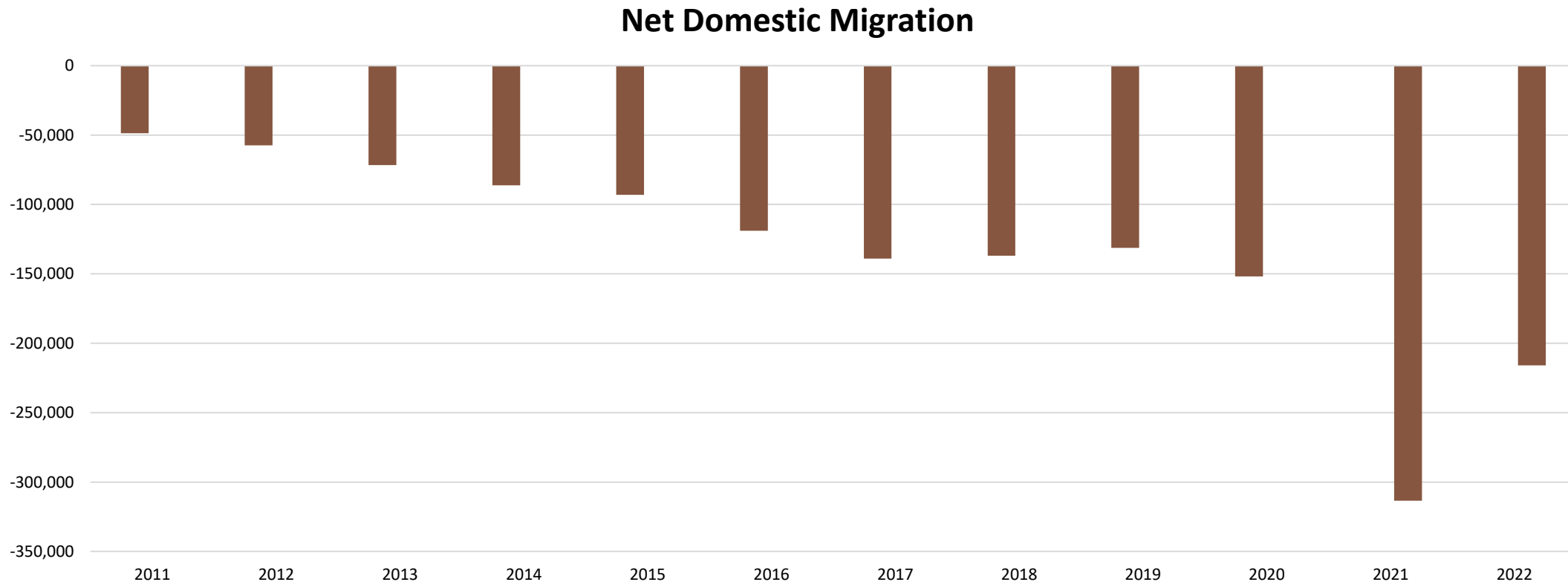
NYC vs US private sector jobs (Index, Jan 2000 = 100))



Source: NYC OMB & U.S. Bureau of Labor Statistics.



Domestic outmigration has been a big driver of population losses since the pandemic

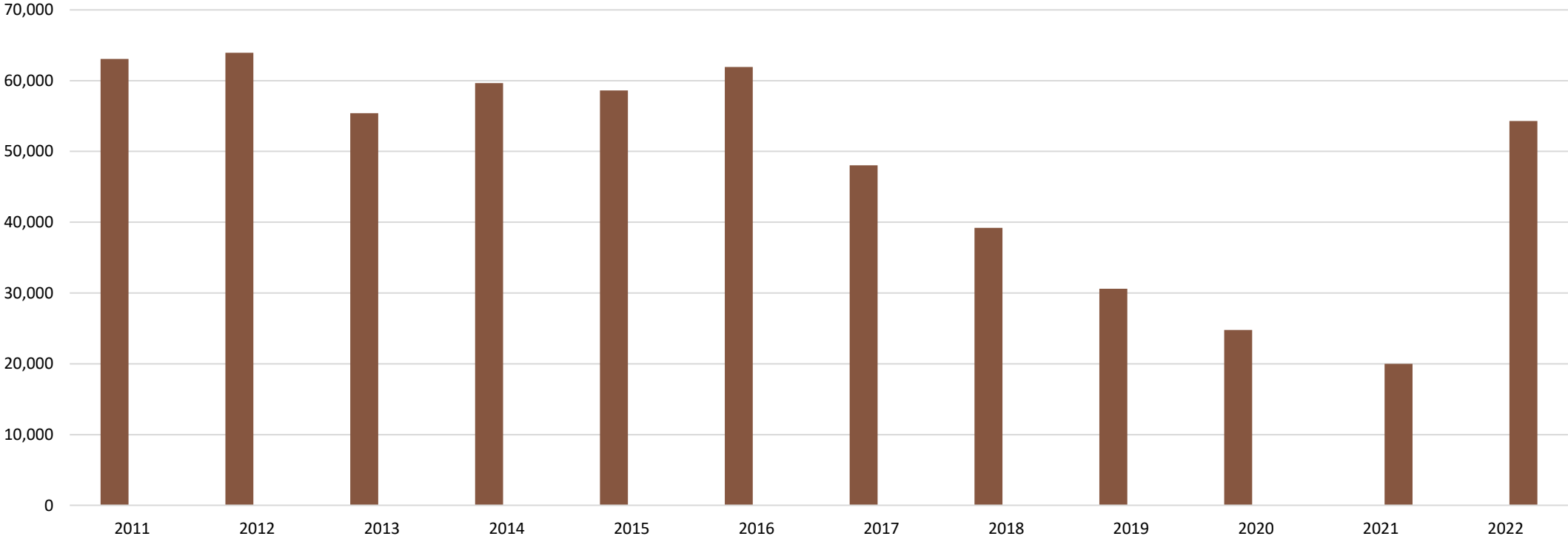


Source: Census Bureau, Population Estimates Program. 2011-2020 data are from the 2020 data Vintage. 2021 and 2022 data are from the 2022 data vintage.



But net international migration is recovering

Net International Migration

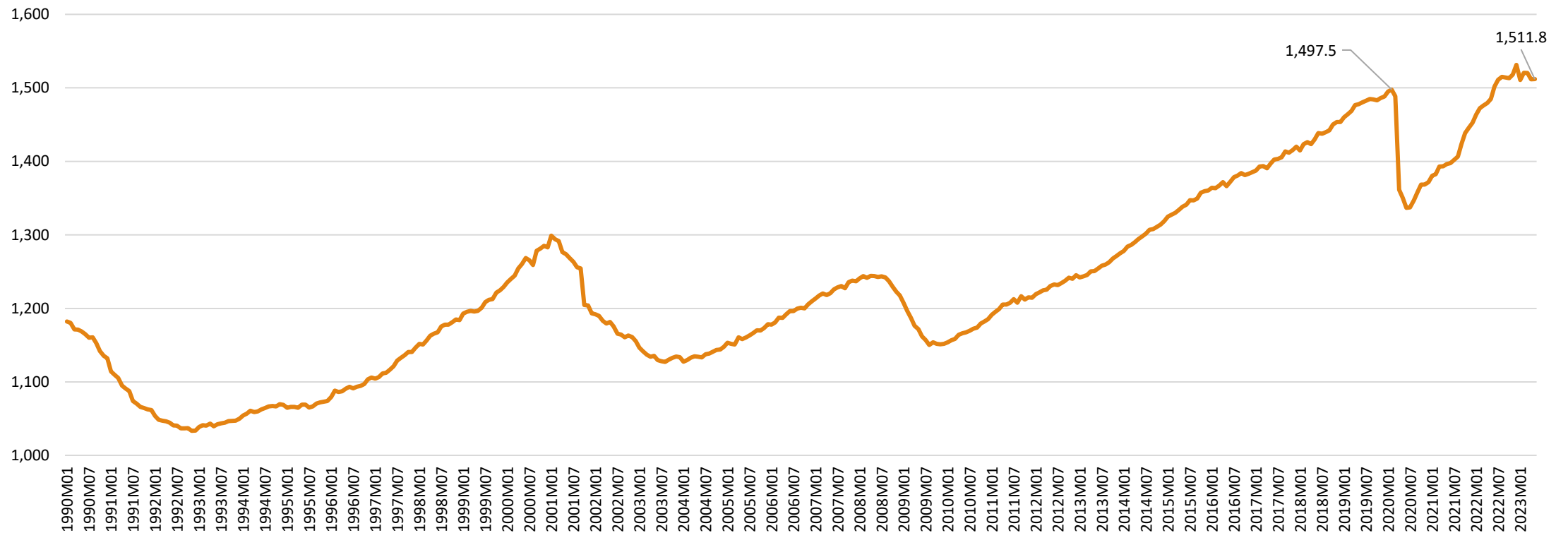


Source: Census Bureau, Population Estimates Program. 2011-2020 data are from the 2020 data Vintage. 2021 and 2022 data are from the 2022 data vintage.



NYC office-using jobs are at historic levels

NYC office-using jobs ('000s)

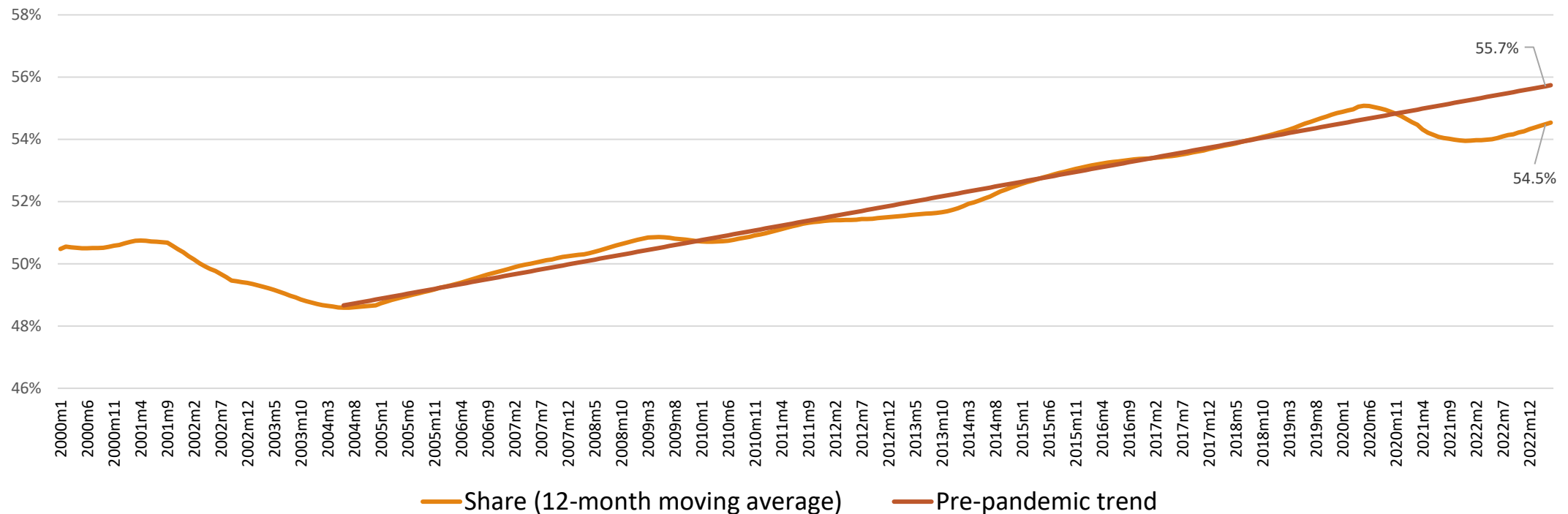


Source: NYC OMB, office-using jobs are Finance, Insurance and Real Estate, Information, and Professional and Business Services.



NYC's share of metro area office-using jobs started rising again

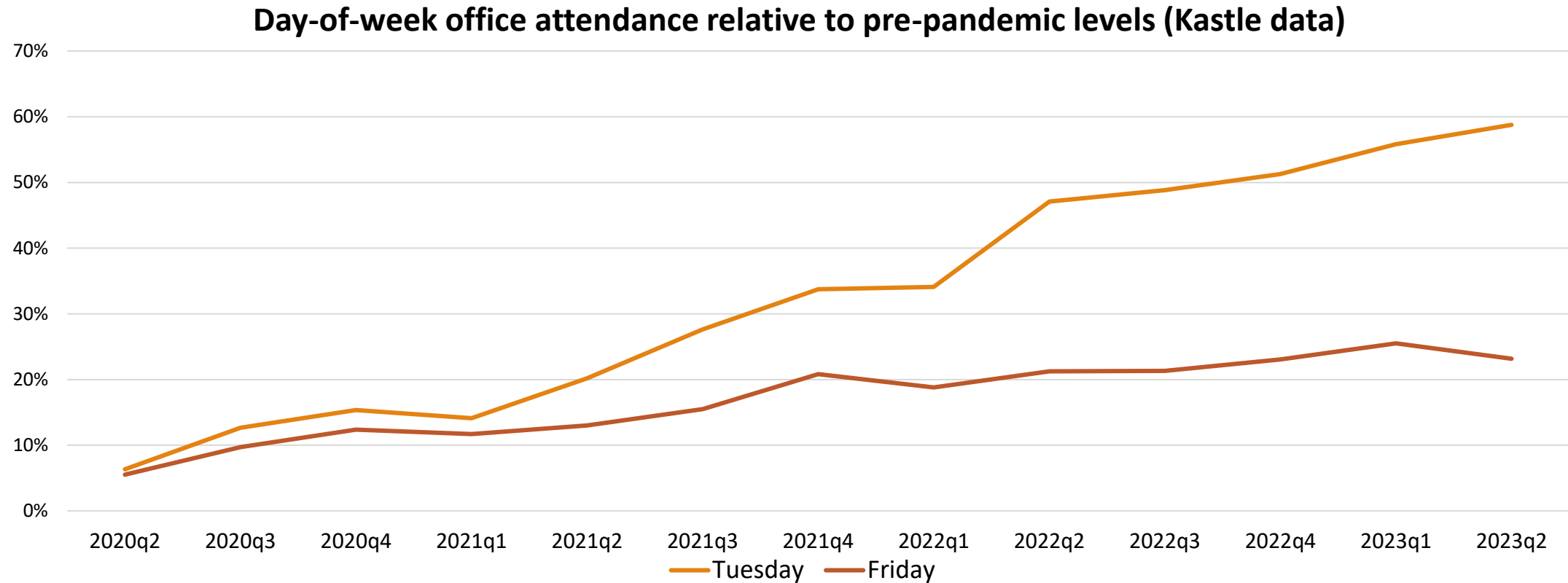
NYC share of MSA office jobs



Source: Bureau of Labor Statistics, office-using jobs are Finance, Insurance and Real Estate, Information, and Professional and Business Services.



Hybrid schedules take hold in the NYC metro area

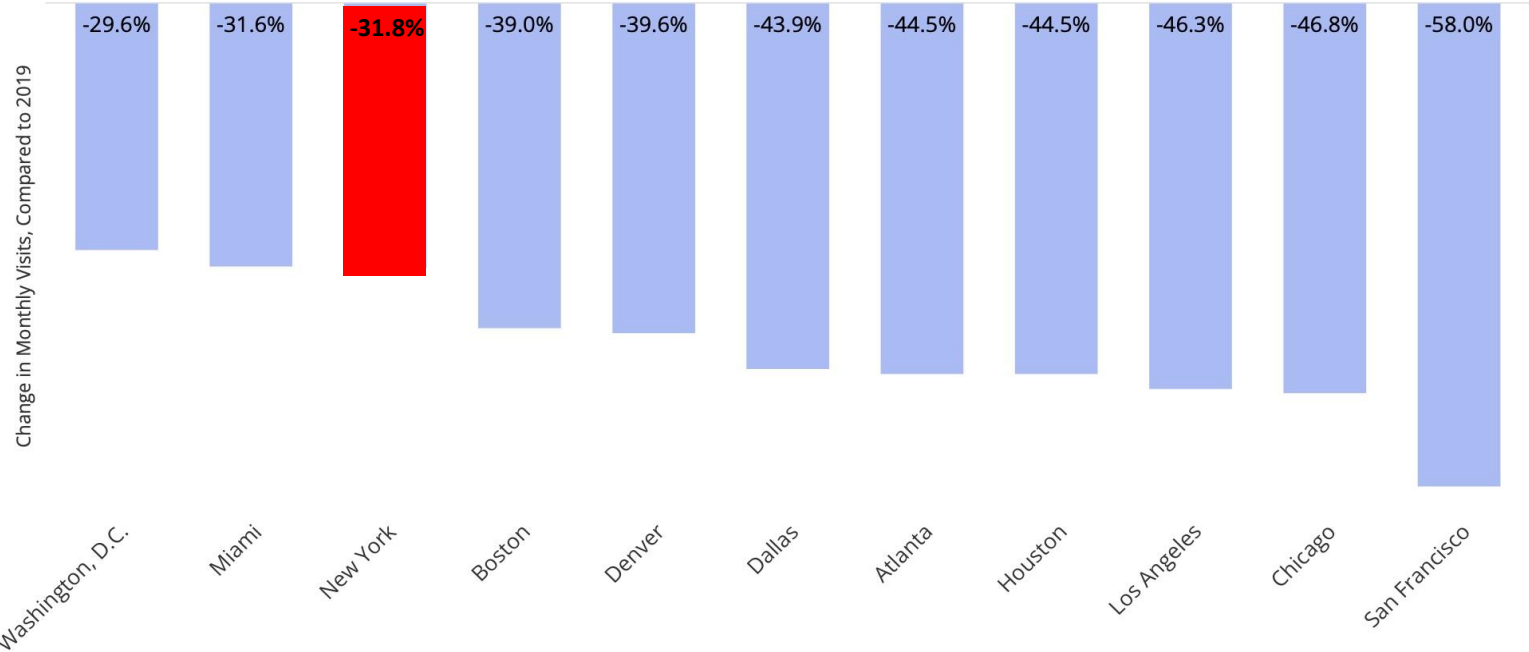


Source: Kastle Systems, quarterly averages of data through 6/1/2023.



New data sources show higher attendance than the widely-cited Kastle data

Change in Average Monthly Office Visits Per Working Day,* May 2023 Compared to 2019



* Data on the number of working days per month from www.calendar-12.com.



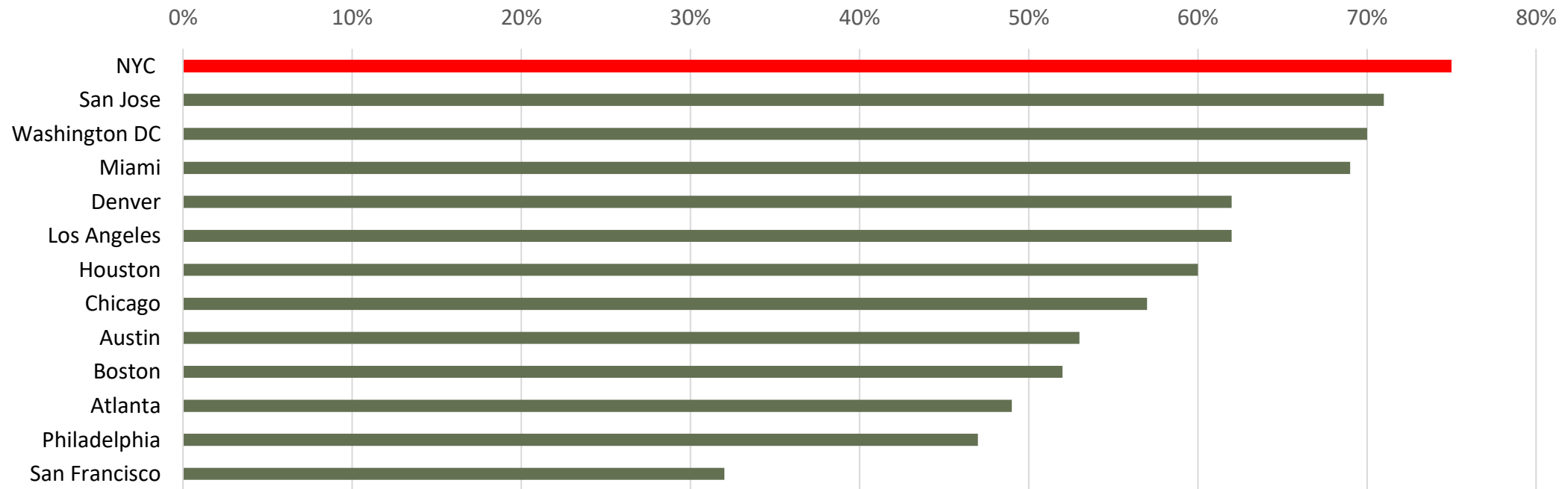
Source: <https://www.placer.ai/blog/placer-ai-office-index-may-2023-recap>.

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Cell phone traffic in NYC's midtown and downtown is ahead of large office markets

Downtown recovery index in Winter 2023 (University of Toronto)

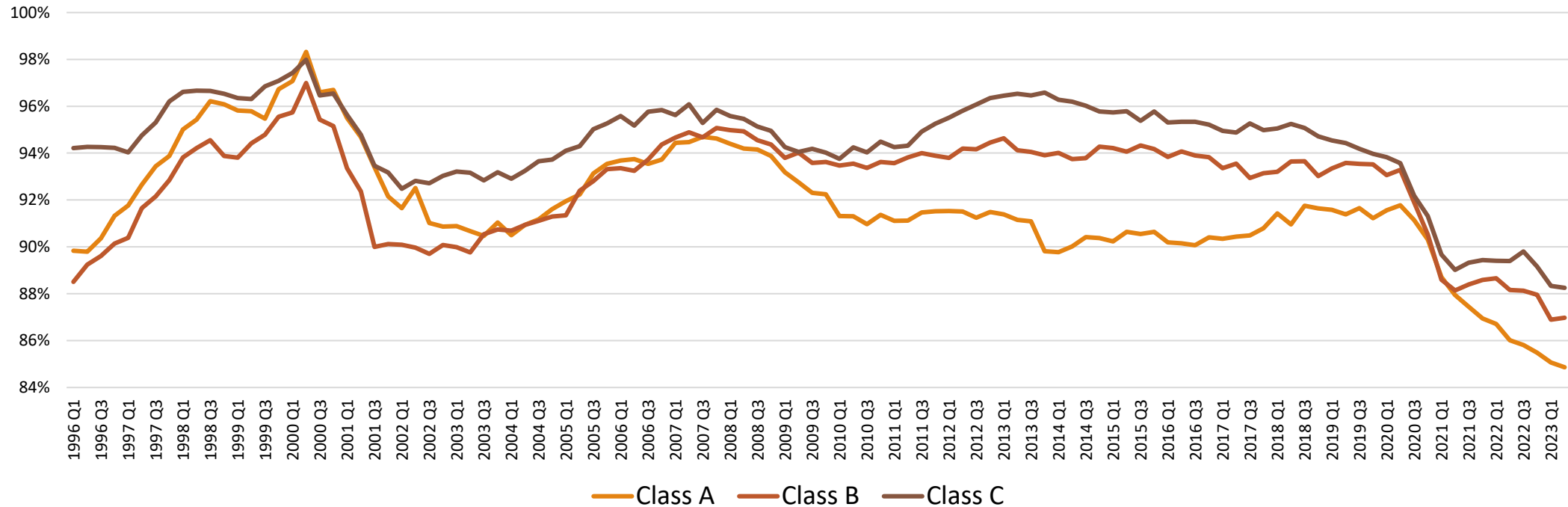


Source: University of Toronto, School of Cities, [Recovery Rankings \(downtownrecovery.com\)](https://downtownrecovery.com), accessed 6.21.23. December 2022 – February 2023 relative to pre-pandemic baseline. Cities are all the available downtown recovery indexes within office markets in the Kastle System data or the Placer.ai data. The recovery index is based tracking of mobile device activity relative to pre-pandemic levels. Additional methodological notes are available here: [death_of_downtown_policy_brief.pdf \(downtownrecovery.com\)](https://downtownrecovery.com/death_of_downtown_policy_brief.pdf).



Office occupancy rates

Occupancy rates by office class



Source: CoStar



Doomsday?

Los Angeles Times

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BUSINESS

The Fading Metropolis : Can Big Cities Survive the Onslaught of Digital Commerce?

BY LESLIE HELM

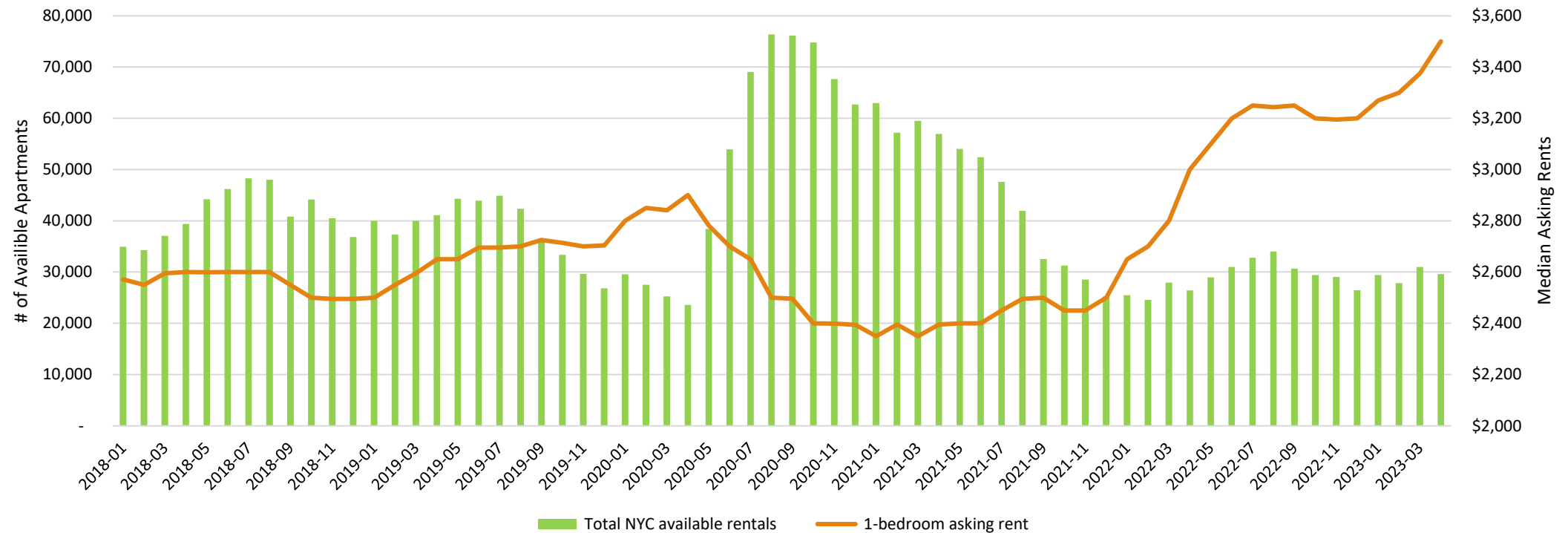
JUNE 3, 1996 12 AM PT

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Housing market tighter than pre-pandemic

NYC Rental Housing Inventory and Median One Bedroom



Source: StreetEasy.



An aerial view of a city skyline, likely New York City, with a blue overlay. The Chrysler Building is prominent on the left. A central text box contains the title "The Fiscal Outlook".

The Fiscal Outlook

Tax revenues growth rates

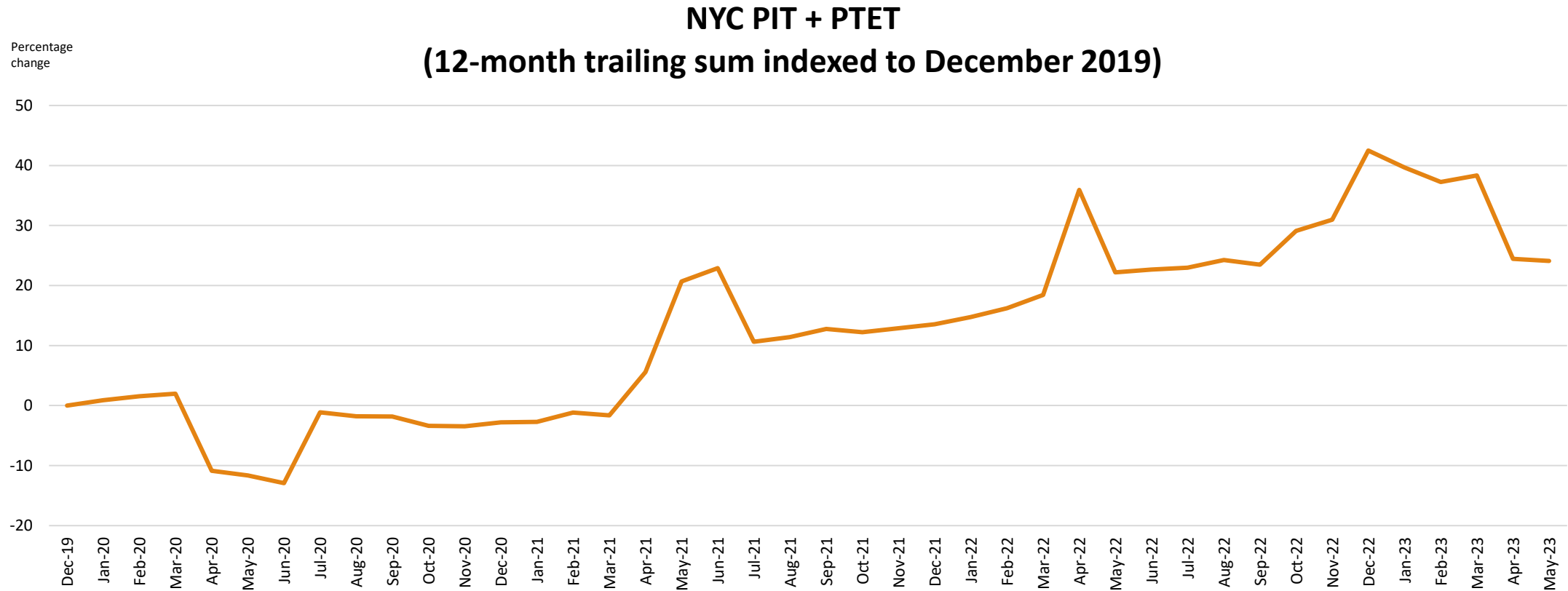
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023*
Property tax	5.66%	7.03%	5.60%	-6.27%	6.68%
Non-property taxes	2.73%	-1.04%	2.34%	17.85%	3.95%
Total	4.03%	2.60%	3.87%	6.33%	5.20%

* FY 2023 through May

Source: Office of the NYC Comptroller.



Personal income taxes above 2019 levels

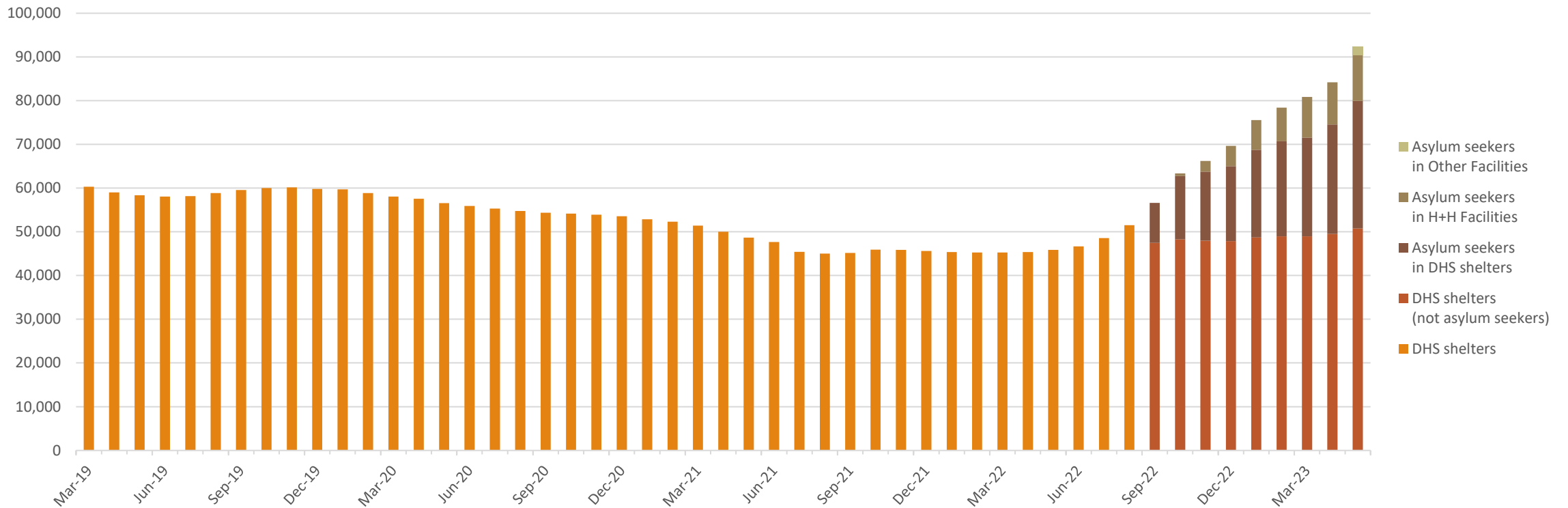


Source: Office of the NYC Comptroller, <https://comptroller.nyc.gov/newsroom/newsletter/new-york-by-the-numbers-monthly-economic-and-fiscal-outlook-no-78-june-13th-2023/>.



Asylum seekers and homeless shelter population

Total Individuals in City Shelters - DHS System plus Asylum Seekers



Source: Office of the NYC Comptroller, <https://comptroller.nyc.gov/newsroom/newsletter/new-york-by-the-numbers-monthly-economic-and-fiscal-outlook-no-78-june-13th-2023/>.



April financial plan gaps (\$m)

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
April plan gaps	\$0	\$0	(\$4,196)	(\$5,952)	(\$6,977)
NYC Comptroller's re-estimates					
Restated gaps	\$1,685	(\$2,138)	(\$6,447)	(\$9,049)	(\$10,376)
Asylum seekers risk	\$0	(\$1,150)	(\$2,940)	(\$3,650)	(\$3,650)
Gaps including asylum seekers risk	\$1,685	(\$3,288)	(\$9,387)	(\$12,699)	(\$14,026)

Source: Office of the NYC Comptroller, <https://comptroller.nyc.gov/reports/comments-on-new-york-citys-executive-budget-for-fiscal-year-2024-and-financial-plan-for-fiscal-years-2023-2027/>.



Property tax scenarios for office real estate

	FY 2024	FY 2025	FY 2026	FY 2027
Comptroller's baseline forecast				
Revenues (\$m)	\$35,350	\$35,691	\$36,244	\$37,415
Pessimistic scenario				
Forecast revision (\$m)		-\$120	-\$292	-\$276
% of property tax		-0.3%	-0.8%	-0.7%
"Doomsday" scenario				
Forecast revision (\$m)		-\$323	-\$746	-\$1,122
% of property tax		-0.9%	-2.1%	-3.0%

Source: Office of the NYC Comptroller, <https://comptroller.nyc.gov/reports/spotlight-what-risks-does-the-office-market-pose-for-the-citys-finances/>.



An aerial photograph of a city skyline, likely New York City, featuring prominent skyscrapers like the Chrysler Building and the Empire State Building. The image is overlaid with a semi-transparent blue filter. A central white-bordered box with rounded corners contains the text "Fiscal Policy" in a bold, white, sans-serif font.

Fiscal Policy

Fiscal policy achievements to date

Budget

- *Historic Rainy-Day Fund deposit*

Asset Management

- *“Basket clause” legislation*

Public Finance

- *Rating upgrade from Fitch*
- *Innovative tender offer to achieve savings in a high-interest rate environment*

Rainy-day fund(s)

The City has two rainy-day funds:

- Revenue Stabilization Fund (RSF)
- Retiree Health Benefit Trust (RHBT): intended to fund the retiree health care liability but *de facto* a rainy-day fund

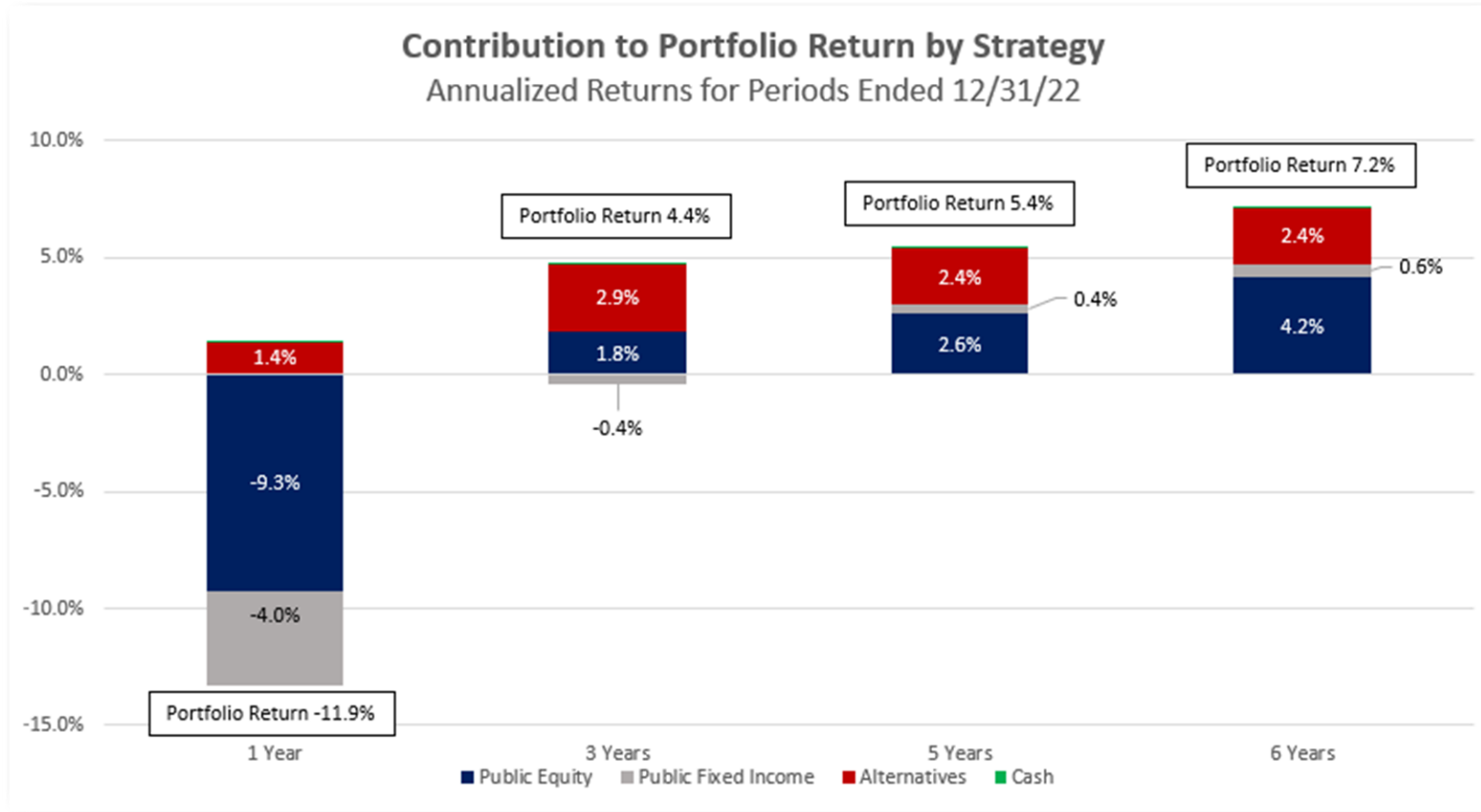
For rainy-day savings, we proposed and will continue pushing for establishing:

- A target of 16% of the City's tax revenues
- A formula for minimum deposits
- A framework for withdrawals

Source: Office of the NYC Comptroller, <https://comptroller.nyc.gov/reports/preparing-for-the-next-fiscal-storm/>, <https://comptroller.nyc.gov/newsroom/newsletter/new-york-by-the-numbers-monthly-economic-and-fiscal-outlook-no-71-november-15th-2022/>.



Basket clause reform



Source: Office of the NYC Comptroller.



Public finance: rating upgrade and creative approaches to achieve savings

RATING ACTION COMMENTARY

Fitch Upgrades New York City, NY's GO Bonds and IDR to 'AA';

Achieving debt service savings requires more creativity

- We recently completed a refunding that included a tender offer component
- Strong interest led to increased savings.



Areas of focus going forward



Smart savings and management tools



Investments in core services & governing capacity



Revenue-raisers



Housing growth & affordability



Property tax reform

Budget gaps require regular savings programs and better management tools

Programs to Eliminate the Gap (PEGs) should:

- Be required in every plan
- Provide recurring savings over the plan

Management tools

- ~23k job vacancies give budgetary relief but are not management
- The City should formulate multi-year staff management and attrition plans
- Make agencies accountable for settlement payments
- Implement cost accounting and grant management systems



Investments needed for shared thriving

Strengthening the New York City's economy requires investments:

- Affordable housing
- Transit
- Child care
- Mental health care
- Workforce development
- Climate readiness



Revenue raisers

	Year 1 revenue estimate
Increase PIT rate on high-income households	\$560m - \$896m
Pied-à-Terre surcharge	\$277m
Partial repeal of coop-condo abatement	\$98m
Repeal of MSG exemption	\$44m
Total	\$979m - \$1,315m

Source: Office of the NYC Comptroller <https://comptroller.nyc.gov/reports/raising-revenues/>.



Broad housing deal is both necessary and plausible

Significant new supply across income levels

- New multifamily tax affordability program to replace 421a
- Growth targets per “Housing Compact” or comparable plan

Good cause tenant protections

Stronger investments in “social housing” – especially a new, at-scale, multifamily affordable homeownership program (21c Mitchell-Lama)

Renewal of NYC’s affordable housing development capacity



New multifamily housing tax structure

- Tax parity between new condos & rentals (approx. 30% reduction for new rental development)
- Deeper tax breaks for mixed-income housing based on actual costs & affordability
- New multifamily affordable cooperative homeownership program

Effective Tax Rate Differential Between New Rentals and New Condos				
	Core markets		Non-core markets	
Before reform	1.2%	1.2%	1.6%	2.2%
After reform	0.1%	0.4%	0.7%	1.0%

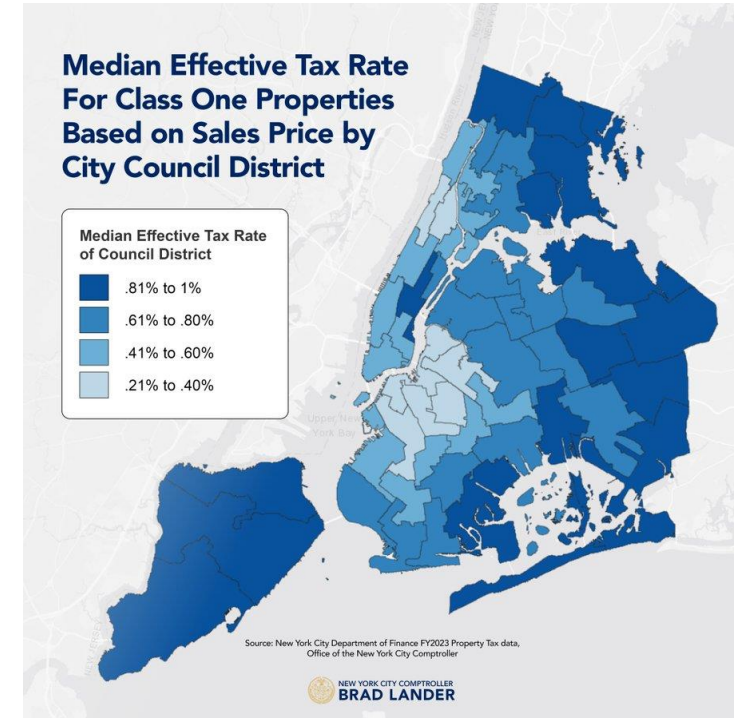
Source: Office of the NYC Comptroller, https://comptroller.nyc.gov/wp-content/uploads/2022/11/221115_Property-Tax-Reform-Framework.pdf.



Comprehensive property tax reform

Homeownership

- Tax parity among homeowners based on recommendation of the Advisory Commission on Property Tax Reform
- Gradual phase-in
- Protections for potentially vulnerable homeowners



Source: Office of the NYC Comptroller, https://comptroller.nyc.gov/wp-content/uploads/2022/11/221115_Property-Tax-Reform-Framework.pdf.

