



NEW YORK CITY BANKING COMMISSION

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

May 10, 2024

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

Re: FY2025 Interest Rates Recommendations for:
Early Payment (Discount) of Property Taxes,
Rate for Payment Program for Property Taxes; and
Late-Payment of Property Taxes

Dear Speaker Adams:

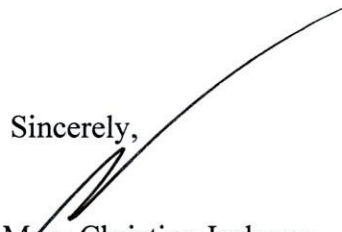
Pursuant to Section 11-224.1 of the New York City Administrative Code and Section 1519-a of the New York City Charter, at its meeting on May 9, 2024, the NYC Banking Commission approved resolutions recommending to the City Council the following proposed FY2025 interest rates for the discount rate for early property tax payments, rate for payment program for property taxes; 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, for certain Property Tax Payment Plans;
- c. Nine percent (**9.0%**) 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;
- d. Fifteen percent (**15.0%**) 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;
- e. 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 to make a \$10 Million deposit at Popular Bank's Banking Development District (BDD) branch located at 374 East 149th Street neighborhood in the Bronx. Attached are copies of the Banking Commission resolutions.

May 10, 2024
Honorable Adrienne Adams
Interest Rate Recommendations – FY2025

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
Special Counsel/Chief Strategy Officer to 1st Dep. Mayor Tonya Jenerette
Deputy Comptroller for Policy Annie Levers

RESOLUTION NO. 1 – FY2025 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, The Banking Commission’s impact analysis for FY2025 projects that the return on investments will result in **\$63 million** of interest earned on taxes collected early. This will more than offset estimates of forgone tax revenue of negative **\$7.9 million** (discount given) plus forgone interest income on forgone taxes of **(\$316k)**, resulting in a net gain in revenue to the city of **\$54.7 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 FY2024, a total of **121,044** property owners made early payments saving NYC an estimated **\$1.8 million** in invoicing and administrative costs. If similar savings are realized in FY2025, the total impact of the **0.50%** discount will be a positive **\$56.5 million**, and

WHEREAS, New York City’s Cash Flow projection for June 30th, 2024, the end of FY24, is approximately **\$6 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

WHEREAS, there is no economic reason for the Banking Commission to change the discount rate of 50 bps (0.50%) in FY2025. The impact of having this discount rate in place translates to a total net gain to the city of positive **\$56.5 million**. If the statutory default rate of **155 bps (1.55%)** were to be invoked, the City’s net loss would be negative **\$24.4 million**. If the Banking Commission were to increase the discount rate to 100 bps (1.0%), this would result in a revenue loss of approximately **\$15.8 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 FY2025, 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 – FY2025 LATE PAYMENT RATE FOR CERTAIN PROPERTY TAX PAYMENT PLANS RECOMMENDATION

WHEREAS, pursuant to Local Law 36 of the City of New York 2023, the Banking Commission shall send a written recommendation to the City Council of a proposed late payment interest rate for the late payment of certain property tax payment plans for the ensuing fiscal year no later than the thirteenth of May, and

WHEREAS, the May 2024 Applicable Federal Rate is **4.97%**, which under Local Law 36 of 2023 must be rounded to the nearest half a percentage point for a base rate of **5.00%**, and

WHEREAS, the Applicable Federal Rate has increased almost **17** basis points since last July, and

WHEREAS, a rate lower than the current Applicable Federal Rate has further tax implications for the people the law was written to help; now, therefore be it

RESOLVED, the Banking Commission recommends to the City Council that the late payment rate for certain Property Tax Payment Plans shall be set at **six percent (6%)** per annum for FY2025.

RESOLUTION NO. 3 – FY2025 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 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 09, 2024, said prime rate stands at **8.50 percent (8.50%)**, as published by the Board of Governors of the Federal Reserve System, and

WHEREAS, the Federal Reserve plans to keep rates at these levels for an extended period of time to fight the highest inflation in 40 years. At this time there is much uncertainty in the global economy, and the FOMC does not expect it will be appropriate to reduce the target rates until it has gained greater confidence that inflation is moving sustainably toward 2 percent, and

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

RESOLVED, the Banking Commission recommends to the City Council that the late payment 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 set at nine percent (**9%**) per annum for tax year 2025.

RESOLUTION NO. 4 – FY2025 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, 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 09, 2024, said prime rate stands at **8.50 percent (8.50%)**, 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 late payment 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, be set at fifteen percent (**15%**) per annum for FY2025.

RESOLUTION NO. 5 – FY2025 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 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 09, 2024, said prime rate stands at **8.50 percent (8.50%)**, 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 late payment 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, be set at eighteen per cent (**18%**) per annum for FY2025.

RESOLUTION NO. 6 – 2024 APPROVAL OF NYC DEPOSITORY BANKS

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) § 1-03(b), the term of a designation shall be for a period of no longer than two years, however, in this case designation will be for only one year as the biennial designation begins again in May of 2025, unless the Banking Commission by majority vote extends such designation period; and

WHEREAS, the following 3 banks have submitted the required documents and meet the requirements to become NYC Depository Banks:

1. Bank of Montreal
2. KeyBank
3. NYCB/Flagstar

RESOLVED, the Banking Commission approves the listed banks to become NYC Depository Banks for one year.

RESOLUTION NO. 7 – Necessity Exception of Capital One 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 the Title 22 RCNY § 1-03(e)(1)(ii), a NYC Depository Bank must submit required documentation; and

WHEREAS, in accordance with Title 22 RCNY, Capital One Bank chose not to submit documentation required for designation; and

WHEREAS the bank provides unique services for the Department of Housing Preservation and Development that cannot easily be duplicated with another provider; therefore, be it

RESOLVED, the Banking Commissioners hereby designate Capital One Bank as a Depository Bank commencing May 09, 2024 until current HPD agreements expire.

RESOLUTION NO. 8 – POPULAR BANK BRONX BDD DEPOSIT

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

WHEREAS, Popular Bank has requested that the City of New York make a \$10 Million deposit at its Bronx BDD branch located at 374 East 149th Street in the Bronx: therefore, be it

RESOLVED, the Banking Commission approves a \$10 Million New York City BDD deposit at the Popular Bank Bronx BDD branch.

Dated May 10, 2024

The NYC Banking Commission unanimously approved Resolutions No. 1-8.