# The Rich Don't Pay

An Analysis of City of Buffalo Property Tax Revenue

June 2024



## I. Introduction and Key Findings

The City of Buffalo is facing a significant financial crisis – including a projected gap of $41 to $55 million next year – that could have a major destabilizing impact on the city and its residents in the coming years. Significant cuts to city services and further property tax and fee increases are likely looming. The city's residents could see a further deterioration of essential services like snow plowing and street and sidewalk maintenance even as they are asked to pay more in taxes and fees.

This year's budget was balanced in part through a property tax increase, the use of city reserves and American Rescue Plan (ARP) funding, and overly optimistic projections of uncertain and unlikely revenues – namely from parking fees and violations, casino revenue, and a hotel occupancy tax that was ultimately not approved by the state legislature. Several factors have contributed to the city's financial shortfalls, including a major increase in police spending following a new police contract earlier this year and a heavy reliance, in recent years, on ARP funds to close the city's budget gaps.

This report examines a long-term contributing factor that has been especially significant during the nearly twenty years Mayor Byron Brown has been in office: the city's lack of attention to raising revenue in the form of property taxes, particularly on the city's wealthiest residents and landlords. Though Brown has raised taxes four times in recent years, an analysis of property tax data suggests that the city's largest and wealthiest taxpayers are actually paying far less in city property taxes now than they did in 2019. Many wealthy real estate developers are also benefiting from significant tax breaks on their properties.

Considered across years, this has translated into tens of millions of dollars in lost property tax revenue. The following are some summary findings from the report:

- **Payments by top taxpayers have significantly decreased.** National Fuel's city tax payments (including property and special franchise taxes) have declined 45% in recent years, costing the city around $2 million per year. M&T Bank's property tax payments have declined 28%, costing the city around $350,000 per year. The two have consistently been among the top taxpayers in the city.

- **Payments by wealthy homeowners have significantly decreased.** Taxes paid by the owners of high-value residential homes (assessed at $400,000 or more in 2023) decreased by 9% from 2019 to 2023. These homeowners paid $1.6 million less in taxes in 2020 than they did for the same properties in 2019, and over $900,000 less in taxes in 2023 than they did in 2019. The decreases are even more dramatic when considering specific streets: the owners of homes on the city's three streets with highest average home assessments – Nottingham, Chapin, and Tudor – have seen an average property tax decrease of more than 25%, costing the city roughly $300,000-$400,000 per year.

- **Major landlords and wealthy homeowners have filed lawsuits to challenge their assessments, lowering their tax bills significantly.** The owners of pricey waterfront condos on Rivermist, for instance, reduced their tax bills by roughly 50% as a result of a successful lawsuit against the city. Homes on the street appear to be significantly under-assessed, as a result – selling for around double their assessed value in recent years, and sometimes more. Commercial property owners that appear to have secured significant assessment cuts through lawsuits include Hodgson Russ, Doug Jemal, Benderson Development, and Chris Jacobs, all of which have obtained assessment cuts (which result in proportional tax or PILOT cuts) of between 40 and 60%.

- **Real estate developers receive significant tax breaks from the city.** A review of ten major developers' portfolios shows they are paying about $6 million per year less in taxes than they would without these programs, at a rate about 33% less than the city's commercial tax rate. Some of this revenue is made up for through PILOTs, though much of that revenue does not end up in the city's general fund, as it is earmarked for infrastructure improvements in the vicinity of the subsidized project.

The analysis suggests that the city's tax policy, as currently constructed, is padding the pockets of a wealthy elite at the expense of the vast majority of the city's residents, to the tune of tens of millions of dollars when considered across years.

It is important to note that decreases in (or lack of) tax payments by some of the property owners noted below can be considered in one of two ways. First, they can be considered as a loss of tax revenue that might have otherwise been obtained (assuming the levy is higher). Second, they can be considered as a tax burden that is shifted onto other property owners (assuming the levy remains the same). Since the City of Buffalo is starved for revenue, the report chooses to take the first view and refer to this as a loss of tax revenue, assuming that the levy should have been increased – and property tax rates structured – in a way that made wealthy homeowners and landlords pay their fair share.

A number of factors have contributed to this situation, including the mayor's unwillingness to increase property taxes or tax the rich, the impacts of the long-delayed 2019 reassessment, assessment challenges, the commercial real estate crisis, the city's policy of subsidizing commercial real estate development, and the city's lack of a progressive property tax structure. These are discussed throughout the report, and summarized in the concluding section. The conclusion also includes some recommendations for addressing this situation moving forward.

In any case, a more in-depth analysis of city property tax revenue is in order as the city grapples with a looming financial crisis and conducts a new reassessment process.

# II. Key Terms and Methodology

## Key Terms

The way in which property taxes get set can be somewhat confusing. The following are some key terms:

**Assessment** – this is the assessed value (or valuation) of a property, as determined by city assessors. It is determined infrequently for most properties. After estimating the full market value of the property, the assessor multiplies that value by the **equalization rate** for the city, which is some percentage of full market value, to arrive at the assessed value. The equalization rate for cities and towns is set by New York State. This percentage can be fairly low, depending on how recently the city conducted a full reassessment. The City of Buffalo's 2024 equalization rate is 61.5%.

**Reassessment process** – The city undertakes a full reassessment of all real property (real estate) periodically. The city's 2019 reassessment was the first citywide reassessment in nearly 20 years. The city is currently undertaking a new reassessment that will become effective in 2025.

**Homestead versus non-homestead property** – homestead property is small residential property, mostly one-, two-, or three-family homes or condominiums. Non-homestead property is everything else, including commercial, industrial, and large residential properties, such as apartment buildings. Homestead is often referred to as “residential” and non-homestead is often referred to as “commercial.”

**City versus school tax rates** – All taxes are collected by the city, but a significant portion of them go to the school district. Around 44% of city property taxes are allocated to the school district. There is both a city and school tax rate, which are typically combined into one rate. The rates are expressed in terms of dollars per $1,000 of valuation. In fiscal year 2023-2024 the combined homestead rate for the city of Buffalo was 10.73, and the combined non-homestead rate was 18.72. These rates do not include other fees and taxes properties are subject to, such as sewer and county tax rates, which are not set by the city.

**Exemptions and credits** – The assessed value of a property can be partially or fully exempt from taxation – meaning that all or part of the assessed value is not subject to taxes – for a number of reasons. Nonprofit property owners are exempt from taxes, for instance. There are also various programs offering exemptions to qualifying property owners, as well as subsidy programs that offer property tax exemptions. Credits are slightly different from exemptions in that they effectively reduce taxes by the amount of the credit. Many homes in Buffalo qualify for the STAR exemption/credit program, which is subject to certain income and assessment qualifications.

**Total taxes** or **total general tax** (on a property) – The amount of city and school taxes collected on a particular property, based on assessed value and tax rate and accounting for exemptions and credits. When this report refers to total taxes paid by a particular property or set of properties, it is referring to total general tax. This does not include other taxes, such as sewer and county tax.

**Real Property Tax Levy** – the total property taxes that the city collects, including both the city and school tax component of city property taxes.

**Special Franchise –** These are taxes applied to property in the public right of way, typically utility property (such as electrical lines and gas lines), and are subject to rules and oversight at the state level.

## Data sources and methodology

To conduct the analysis for this report, two key data sources were used:

- City of Buffalo tax roll data for 2019-20, 2020-21, 2021-22, 2022-23, and 2023-24, as well as the assessment roll for 2023-24, all available at data.buffalony.gov. These data sets were combined into a master database. Tax roll data was used because it includes each property’s total assessed value as well as total general tax owed (accounting for exemptions and credits). It was matched against property assessment data because that data includes additional identifying information on property owners, which facilitated aggregation by top owners, such as real estate developers. Queries of this merged database produced many of the key findings in this report.

- Lists of top city taxpayers from municipal bond documents, available at emma.msrb.org, were used for the analysis of top taxpayers (section I). The municipal bond document lists include the total assessed value of the city's top 15 taxpayers, tax levy for those taxpayers, and the percentage of the total tax levy that each represents. There are some clear errors in the tables, but they appear to offer a clear enough picture of declining major taxpayer payments for the purposes of this report. While the city's comprehensive annual financial review (CAFR) documents do include a list of top taxpayers, they only include net assessed value and percentage of the city's tax levy, not taxes paid by the specific taxpayers.

This report focuses mainly on property taxes that are actually due from the owners of specific properties and sets of properties, in order to present a clear analysis of how much tax property owners actually paid in a given year. While properties are subject to the same tax rates (either the homestead or non-homestead rate), differences in assessed valuation, exemptions, and credits can have a significant bearing on how much tax the property owner owes for a given year.

None of the figures in the report are inflation-adjusted. Given high rates of inflation in recent years, adjusting for inflation would make decreases in tax payments appear even more sharply negative, while increases in tax payments would appear more modest and possibly somewhat negative.

## III. Payments by Top Taxpayers Have Significantly Decreased

Some of the city's biggest taxpayers are paying significantly less in taxes since 2020 than they did in prior years.

A review of major taxpayers disclosed by the city in municipal bond documents shows that many have seen their tax bills decrease significantly since fiscal year 2021 (July 1, 2020 - June 30, 2021). The table below shows average tax payments for four taxpayers included in the city's list of top taxpayers. The four shown below were selected because their property holdings do not appear to have changed significantly (as is the case with real estate developers, whose portfolios and tax breaks can change a lot from year to year) and because they have consistently appeared in lists of top taxpayers included in city bond documents.

Topping the list is National Fuel, which paid an average of $2 million less in taxes per year in fiscal years 2021-2024 compared with prior years. M&T Bank has also realized significant tax savings. Of the four, only National Grid is paying more.

***Table: Tax Payments by Top Taxpayers, FYs 2018-2020 v. 2021-2024***

| **Major taxpayer** | **Average Tax Payments, 2018-2020** | **Average Tax Payments, 2021-2024** | **Difference** | **% Increase / Decrease** |
|---|---|---|---|---|
| National Fuel | $4,583,713 | $2,520,157 | -$2,063,557 | -45.02% |
| M&T Bank | $1,238,049 | $885,056 | -$352,993 | -28.51% |
| Verizon | $941,079 | $626,212 | -$314,866 | -33.46% |
| National Grid | $7,497,249 | $8,875,503 | $1,378,254 | 18.38% |
| **Total** | **$15,261,136** | **$13,874,123** | **-$1,387,014** | **-9.09%** |

*Notes: Data for the above was drawn from lists of top taxpayers included in municipal bond documents, accessed at emma.msrb.org. See documents for 2018, 2019, 2020, 2021, 2022, 2023, and 2024 (search for "Major Taxpayers," typically pages A-46 to A-48). The documents for each year typically include tables for that fiscal year, though the dates appear to be mislabeled sometimes. Taxes for National Fuel, National Grid, and Verizon include special franchise taxes. The figures above are not inflation-adjusted; decreases in tax payments would appear even more sharply negative if they were adjusted for relatively high rates of inflation in recent years, while increases would appear more modest or somewhat negative.*

Some of this decrease in taxes may be due to the impact of reassessment, which resulted in much lower commercial property tax rates beginning in fiscal year 2020. If the assessments of these properties did not increase significantly or decreased in the course of reassessment, their tax payments declined significantly. Only National Grid's assessed valuation increased significantly, resulting in higher tax payments.

National Fuel's valuation decreased over this period, resulting in dramatically lower tax bills, for reasons that are not immediately clear. Special franchise taxes on utility property in the right of way are subject to New York State oversight, and this may have played some role, though it is unclear why assessments for National Grid and National Fuel would have diverged so significantly. This issue demands further public inquiry – tax policy that results in a utility seeing their tax bill cut in half, essentially overnight, is not serving the public. National Fuel is not starved for cash: its CEO David Bauer made $8 million in 2023.

## IV. Payments by Wealthy Homeowners Have Significantly Decreased

Despite increases in the overall property tax levy in recent years, the owners of high-value residential property have seen significant property tax decreases.

Homes assessed at more than $400,000 in 2023 (a market value of $571,000) had 2023 tax bills that were roughly 9% lower than 2019 tax bills. The change from 2019 to 2020 was even more dramatic: a 15% decrease, translating into tax savings of $1.6 million for this class of homeowners.

The table below shows the 2019 and 2023 taxes paid by residential (homestead) properties in various valuation brackets, as well as the total and relative increases and decreases in taxes paid by bracket. Data for the table was drawn from an analysis of City of Buffalo tax roll data available on the city's open data portal. Properties assessed in the $100,000 to $400,000 range appear to have seen the largest increases, while those assessed above $400,000 and below $100,000 saw significant decreases.

***Table: Taxes paid by residential (homestead) properties by valuation bracket, 2019 v. 2023***

| **Bracket (assessed value, 2023)** | **2019 tax** | **2023 tax** | **Increase / Decrease** | **Increase / Decrease (%)** |
|---|---|---|---|---|
| 0-100k | $24,015,181 | $21,009,995 | -$3,005,186 | -12.51% |
| 100k-200k | $17,465,928 | $20,388,928 | $2,923,000 | 16.74% |
| 200k-300k | $12,677,950 | $14,627,153 | $1,949,203 | 15.37% |
| 300k-400k | $6,593,766 | $7,128,184 | $534,419 | 8.10% |
| 400k-500k | $4,391,815 | $4,164,783 | -$227,031 | -5.17% |
| 500k-600k | $2,088,819 | $1,868,693 | -$220,126 | -10.54% |
| 600k+ | $3,942,122 | $3,469,517 | -$472,605 | -11.99% |
| **Total** | $71,175,580 | $72,657,253 | $1,481,673 | 2.08% |

*Notes: Brackets were calculated using the assessed values for the properties in 2023. This is a somewhat imperfect method for calculating increases and decreases in tax payments by properties within a specific bracket, but seemed like the simplest way to measure how properties within certain valuation ranges were paying taxes across years. It should be noted that several factors – redevelopment, fire, and so on – can drastically decrease or increase a property's value, and thereby affect its taxes and assessment level, and distort the data somewhat. It does not appear that these cases had a major impact on the above numbers, though further analysis is needed. The figures above are not inflation-adjusted; decreases in tax payments would appear even more sharply negative if they were adjusted for relatively high rates of inflation in recent years, while increases would appear more modest or somewhat negative.*

How did the city issue an effective property tax cut for wealthy homeowners, at a time when it was increasing taxes and attempting to raise revenue?

There are several possible explanations, all of which have likely come into play. First, the shape and structure of the city's real estate market may have shifted in such a way that homes with higher valuations saw smaller relative assessment increases than those in the middle brackets ($100-$300k). This would result in properties with higher assessments accounting for a smaller percentage of the overall tax base following reassessment, which would translate into a tax decrease, depending on how rates are set.

Second, there may have been issues with how the city re-assessed properties with higher valuations. Third, wealthy homeowners may have successfully challenged their reassessments at a higher rate than those in middle brackets.

The city's property tax cut for the wealthy appears to be even more significant when examining streets with high average home assessments.

The table below shows Buffalo streets with the highest average home assessments. All but two of the streets saw a decrease in residential property taxes from 2019 to 2023, with the city's three highest-valuation streets seeing property tax cuts of more than 25%. If homes on the below streets paid the same amount of city property taxes in 2020-2023 as they did in 2019, they would have paid an additional $4 million in taxes.

***Table: Taxes paid by residential (homestead) properties on streets with the highest average assessments, 2019 v. 2023***

| Street | Average Home Value (2023) | # Homes | 2019 Total Taxes | 2023 Total Taxes | Increase / Decrease | Increase / Decrease (%) |
|---|---|---|---|---|---|---|
| NOTTINGHAM | $758,451 | 51 | $554,516 | $412,943 | -$141,573 | -25.53% |
| CHAPIN | $745,855 | 38 | $419,864 | $298,183 | -$121,682 | -28.98% |
| TUDOR | $743,488 | 16 | $176,727 | $127,655 | -$49,072 | -27.77% |
| SOLDIERS | $690,417 | 18 | $139,891 | $116,460 | -$23,431 | -16.75% |
| MIDDLEBURY | $688,750 | 4 | $31,179 | $29,394 | -$1,785 | -5.72% |
| OJIBWA CIR | $663,365 | 17 | $121,976 | $120,289 | -$1,687 | -1.38% |
| RUMSEY RD | $651,114 | 14 | $116,652 | $96,007 | -$20,645 | -17.70% |
| PENHURST | $649,974 | 27 | $242,457 | $185,160 | -$57,297 | -23.63% |
| WATERFRONT CIR | $642,393 | 28 | $170,895 | $191,097 | $20,202 | 11.82% |
| MEADOW | $638,925 | 20 | $208,853 | $136,619 | -$72,235 | -34.59% |
| PORTSIDE | $615,421 | 19 | $109,940 | $124,970 | $15,030 | 13.67% |
| MIDDLESEX | $603,115 | 109 | $918,325 | $694,663 | -$223,662 | -24.36% |
| OAKLAND | $598,806 | 49 | $360,621 | $312,886 | -$47,735 | -13.24% |
| LINCOLN | $575,077 | 73 | $561,266 | $427,323 | -$133,944 | -23.86% |
| ST CATHERINES | $543,986 | 7 | $57,855 | $40,522 | -$17,333 | -29.96% |
| **Totals** | | | **$4,191,016** | **$3,314,170** | **-$876,846** | **-20.92%** |

*Note: Tax payments can be impacted by drastic changes in assessments as a result of fire, renovation, or redevelopment. Data quality checks of tax payments for properties on several of these streets were made in order to determine whether this was a major factor; it does not appear to have been one. Additionally, it should be noted that many of the properties on these streets saw tax decreases during this period, some* *did not. The figures above are not inflation-adjusted; decreases in tax payments would appear even more sharply negative if they were adjusted for relatively high rates of inflation in recent years, while increases would appear more modest or somewhat negative.*

## V. Major Landlords and Wealthy Homeowners Have Filed Lawsuits to Challenge Their Assessments, Lowering Their Tax Bills Significantly

Following the city's reassessment process, many property owners challenged their assessments. It is difficult to analyze the overall shape and impact of these assessment challenges based on easily available data, though city tax roll and court records indicate that many wealthy homeowners and real estate developers have won significant decreases in their tax bills as a result of successful lawsuits against the city.

One of the more notable assessment challenge cases involves the owners of homes on Rivermist – pricey homes on Buffalo's waterfront. The homeowners collectively filed suit over their assessments in 2019 and 2020, arguing that their homes – which routinely sell for well north of $700,000 – should have carried fair market values of around $240,000 (the full list of homeowners and requested valuations is here). The case settled in late 2020 and the homeowners appear to have won their challenge, collectively reducing their property tax bills by $255,639, or 55%, from 2020 to 2021, and by 46% from 2019 to 2021.

The owners' prime waterfront real estate appears to be wildly under-assessed as a result of the challenge. As an example, 252 Rivermist sold for $770,000 in 2021. At that time, it was assessed at $345,594. Based on the equalization rate of 88.5 for that year, the market value indicated by the city's assessment was $390,500 – meaning that the property sold for nearly double what the city's tax rolls pegged its market value at.

The lowered assessments are all the more troubling in light of the fact that the homes sit on prime waterfront property and essentially block public access to the water.

The list of owners of Rivermist homes that successfully sued to lower their assessments include a federal judge, Richard Arcara, and a retired state supreme court judge, John O'Donnell. The lawyer for Rivermist, Peter Allen Weinmann, was recently appointed to the state court of claims by Governor Kathy Hochul.

Many owners of commercial property challenged their assessments, as well. The table below shows what appear to be the largest changes in assessments on specific properties from 2020 to 2023. All of the property owners shown in the table below filed lawsuits against the City of Buffalo to challenge their assessments in court. Some have been resolved, though all challenges appear to have resulted in significantly lower assessments.

Some of these owners, such as Terry Pegula, do not actually pay taxes, but rather pay payments in lieu of taxes (PILOTs) that are based on assessments. Others, such as Benderson

(125 Main) are already drawing significant benefits from tax breaks as a result of the 485-a program, discussed more below. In this case, the lawsuit lowered the already subsidized amount of taxes that Benderson pays.

***Table: Largest Commercial Property Assessment Decreases, 2020-2023***

| Owner | Corporate Owner in Property Record | Address | 2020 Assessment | 2023 Assessment | Change from 2020 to 2023 ($) | Change from 2020 to 2023 (%) |
|---|---|---|---|---|---|---|
| Pegula | HARBORCENTER DEVELOPMENT | 75 MAIN | $65,000,000 | $47,000,000 | -$18,000,000 | -27.69% |
| Orion Office REIT | 257 W. GENESEE, LLC | 257 GENESEE WEST | $72,000,000 | $55,000,000 | -$17,000,000 | -23.61% |
| Jemal | JEMAL'S GENESEE LLC | 532 MAIN | $25,700,000 | $11,500,000 | -$14,200,000 | -55.25% |
| Benderson | HARBOR DISTRICT ASSOCIATES | 125 MAIN | $31,775,000 | $20,650,000 | -$11,125,000 | -35.01% |
| Jemal | JEMAL'S ATRIUM LLC | 95 WASHINGTON | $19,500,000 | $9,100,000 | -$10,400,000 | -53.33% |
| Prime Asset Fund | OLYMPIA TOWER ACQUISITION | 31 GENESEE WEST | $11,000,000 | $2,580,000 | -$8,420,000 | -76.55% |
| Hotung | VIOLET REALTY | 424 MAIN | $13,000,000 | $6,200,000 | -$6,800,000 | -52.31% |
| Hodgson Russ | GUARANTY BUILDING | 140 PEARL ST | $13,000,000 | $6,995,000 | -$6,005,000 | -46.19% |
| Hotung | VIOLET REALTY INC | 350 MAIN | $28,000,000 | $22,000,000 | -$6,000,000 | -21.43% |
| Benderson | 570 DELAWARE XXVII LLC | 618 DELAWARE | $12,500,000 | $7,350,000 | -$5,150,000 | -41.20% |
| Benderson | DOWNTOWN LODGING ASSOCIATES | 220 DELAWARE | $12,500,000 | $7,350,000 | -$5,150,000 | -41.20% |
| Chris Jacobs | MICHIGAN STREET DEVELOPMENT | 95 PERRY | $8,500,000 | $3,542,000 | -$4,958,000 | -58.33% |

The crisis in commercial real estate has likely been a factor in these lawsuits, as it has caused significant declines in valuation for higher-end properties, as vacancy rates are high and some landlords are having trouble attracting and holding onto tenants. This has depressed the valuations of some buildings, lowering their tax bills, and has had ripple effects across the market, though its impacts have been uneven. Even those buildings that have tenants and cash flow are likely pointing to lower market valuations in challenging their assessments.

The city's practice of subsidizing developers to build commercial office space, discussed below, has been one factor in contributing to this over-supply.

## VI. Real Estate Developers Receive Significant Tax Breaks

The city's major real estate developers benefit from tax subsidies that significantly lower the taxes they pay to the city. Two of the primary mechanisms are 485-a and PILOTs:

- **485-a property tax exemption.** Some developers are paying low tax rates as a result of the 485-a property tax exemption, the New York State law that cuts taxes on commercial properties converted to a mix of residential and commercial. There have been significant abuses associated with the program, including what has been called the "Benderson loophole" – the addition of just one apartment to an otherwise non-residential building in order to qualify for the tax break (which Benderson Development did at its 125 Main/One Canalside building in order to obtain nearly $6 million in tax breaks). Some of these abuses have prompted corrective action by the New York State legislature.

- **PILOTs (payments in lieu of taxes).** In some cases, developers negotiate PILOTs at a lower tax rate (as was the case for the Uniland-Delaware North headquarters). Others pay PILOTs into an infrastructure fund for improvements to city infrastructure in the immediate vicinity of their properties. PILOTs are not easily tracked in public data, though they effectively increase the tax rates of some of the developers named below.

A review of the city's tax rolls shows that major developers are paying taxes on commercial property at a rate of $12.63 per $1000 in assessed valuation, about 33% less than the 2023 non-homestead rate of $18.72. If they were paying taxes at the full rate, the developers would have collectively paid nearly $6 million more in taxes in 2023.

Though part of this difference is made up in the form of PILOTs, a great deal of it is either lost revenue or revenue that has been directed out of the city's general fund in order to improve infrastructure in the vicinity of the developers' projects. These PILOTs are effectively a method of privatizing the control of city funds; other taxpayers are not granted the same discretion in the use of their tax payments.

The table below shows 2023 assessments, city tax payments, and effective rates for major developers in the city of Buffalo for non-homestead properties in their portfolios. PILOTs are not included (the city does not publish data on PILOTs made by specific property owners).

**Table: Major Developers Assessments, Tax Payments, and Rates (Non-Homestead Property, 2023, excluding PILOTs)**

| Owner | No. of properties | Assessed value | Tax payments | Tax rate (per $1,000 of assessed value) | Additional tax payments if paying full rate (18.72) |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Paladino/Ellicott | 256 | $253,927,634 | $2,991,841 | 11.78 | $1,762,544 |
| Jemal/Douglas | 38 | $94,715,700 | $878,160 | 9.27 | $895,239 |
| Savarino | 22 | $47,399,800 | $113,823 | 2.40 | $773,662 |
| Montante/Uniland | 28 | $117,678,352 | $1,511,828 | 12.85 | $691,509 |
| Benderson | 63 | $106,536,600 | $1,591,033 | 14.93 | $403,693 |
| Termini/Signature | 24 | $51,378,700 | $593,861 | 11.56 | $368,122 |
| Sinatra | 50 | $52,873,201 | $718,907 | 13.60 | $271,058 |
| Ciminelli | 35 | $80,228,255 | $1,279,873 | 15.95 | $222,271 |
| Zemsky/Larkin | 50 | $66,977,500 | $1,069,175 | 15.96 | $184,871 |
| Gold Wynn | 37 | $66,749,865 | $1,108,442 | 16.61 | $141,341 |
| **Total** | | **$938,465,607** | **$11,856,943** | 12.63 | **$5,714,311** |

*Note: Developers often own property through a number of different LLCs, which complicates the task of identifying which properties are actually in their portfolios. A combination of owner name and owner mailing address, drawn from the city's assessment roll, was used to identify properties in their portfolios. Additionally, inclusion in the developer's portfolio does not necessarily mean that they own the property – they may own a portion of it or manage it on behalf of other owners.*

## VII. Conclusion and Recommendations

The report's findings suggest that the City of Buffalo is systematically failing to capture necessary revenue from its wealthiest residents and landlords. Further inquiry is required, and the following are examples of questions that should be asked of the city:

- Why is National Fuel paying $2 million less in taxes than it did in prior years? Why is M&T Bank paying $350,000 less? What factors have contributed to this loss of revenue?
- Why have wealthy homeowners seen a property tax cut in a context of rapidly rising real estate values and high inflation?
- What is the city doing to ensure that assessment challenges do not result in artificially low assessments for wealthy homeowners and landlords?
- Why does the city have a policy of continuing to subsidize an over-supply of non-residential commercial properties?
- Overall, what has the city been doing to ensure that it is capturing tax revenue from wealthy property owners who can surely afford to pay, given their level of wealth and city's relatively low property tax rates?
- Is the city's reassessment process taking special care in ensuring that high-value commercial and residential properties are not systematically under-assessed?

- Has the city conducted any evaluation of the costs and benefits associated with its continued participation in the 485-a property tax exemption program (which cities can opt out of)? Why does the city continue to participate in 485-a?
- Why are PILOTS allowed? Has the city conducted any evaluation of the costs and benefits associated with granting PILOTs to developers? How are these PILOTs negotiated?

Though the tax revenue discussed in this report has already been lost, the city can take steps to address these issues and capture much-needed revenue from wealthy homeowners and landlords in the future. The following are some initial recommendations:

- A full and transparent inquiry into the above questions, as well as the overall distribution of the city's property tax burden, needs to be conducted, especially in advance of the city's reassessment process. The results of this inquiry need to be reported publicly, with a plan of action put in place to deal with problems found.
- The city should consider implementing a progressive property tax structure. This can be done through higher rates on high-value properties, exemptions for lower-value owner-occupied properties, and other mechanisms. Though much of this would require action at the state level, the city has not been shy about asking for state action on other matters (such as increased aid and a hotel occupancy tax).
- The city should discontinue future subsidies for any real estate development project which does not work to address the city's housing crisis, and which further exacerbates the city's commercial real estate crisis. This would mean ending subsidies for the development of new office space, for instance.
- The city should end the use of PILOTS to lower the tax rates for real estate developers, as they unfairly and undemocratically privatize the control of city funds.
- The city should ensure an open and accessible process through which city residents can participate in improving the fairness of assessments. The city should make the guidelines on how assessments are done, and exemptions determined, fully transparent.
- The city should report annually on the specific measures it has taken to ensure the tax burden is distributed equitably across income levels, and that the wealthiest pay their fair share.