A RESEARCH SERIES FROM THE
OFFICE OF THE NEW YORK STATE COMPTROLLER

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DIVISION OF
LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY

LOCAL GOVERNMENT ISSUES IN FOCUS

Meltdown: The Housing Crisis and its Impact on New York State's Local Governments

Summary of Findings

- The housing market crisis and economic downturn has affected the finances of virtually every level of government. New York State's local governments will face a number of fiscal challenges that result directly from problems in the housing market.
- While New York does not face a housing crisis on nearly the same level as some of the hardest-hit states (Nevada, California, Arizona, and Florida currently have foreclosure rates 5 to 10 times higher than those seen in New York), there are pockets within New York State where subprime loans were used extensively, and these areas are now facing growing rates of foreclosure.
- If current trends continue, more than 50,000 New York homeowners could experience foreclosure in 2008. Foreclosure rates are highest downstate and in some upstate urban areas.
- Foreclosures have a corrosive effect on property values, since they tend to lower the value of surrounding homes. In turn, these property owners may seek to lower their assessed property values as one way to reduce their individual property tax burdens. Over time, reassessments and tax certiorari efforts can produce sudden tax shifts as local governments rebalance the total tax levy among property owners.
- Property taxes are generated by applying a tax rate to the assessed value of property. To the extent property values decline, property tax rates must increase to raise the same amount of tax levy.
- Should property values decline by 5 percent, the estimated "worst case" property tax revenue loss ranges from $1.0 billion to $1.3 billion. All other things being equal, local governments would have to increase tax rates by 5.3 percent simply to raise the same amount of tax levy as the previous year. To maintain recent average annual levy growth, double–digit tax rate increases could be necessary. Realistically, this impact would unfold over time as assessed values and equalization rates are adjusted.
- Any decline in property values would be especially problematic for municipalities that are approaching their constitutional taxing limits.
- Increasing foreclosures and delinquencies could also pose cash flow problems for local governments as property taxes go unpaid along with mortgage payments. This is especially problematic for counties, as they guarantee the school tax levy and are ultimately responsible for tax collection and enforcement. In 2007, counties paid nearly $375 million to school districts for unpaid school taxes. These back taxes are often not collected until much later.
- The housing market crisis also impacts mortgage recording tax revenues, which represent a nearly 6 percent share of total revenues in towns. Declines in home construction and spending for home improvements also impact sales tax revenues.

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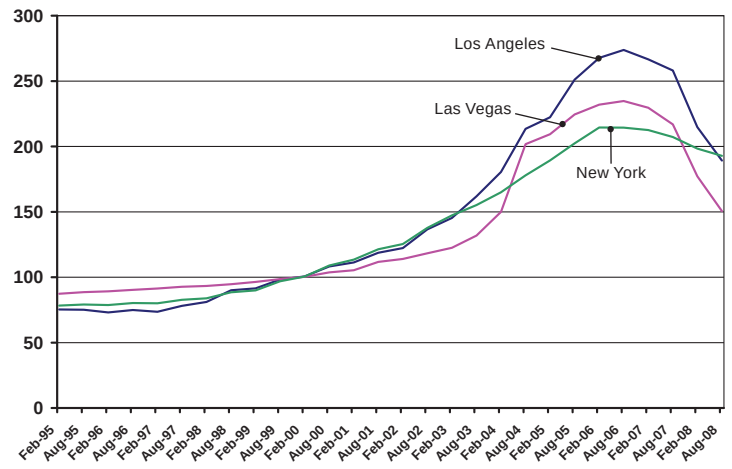
Introduction

New York's local governments rely heavily on property tax revenue to balance their budgets and fund mandated programs. One of the historical strengths of the property tax has been its relative stability and predictability as a revenue source. During a typical economic cycle, a stable tax base means that local officials can generate needed revenue without having to sharply increase tax rates.

The last decade produced unusual growth in the property tax base in certain communities, particularly downstate. The rapid rise in property values, fueled in part by the wide availability of credit, eventually produced a housing price bubble that proved to be unsustainable. A housing market correction began in 2005 as the subprime mortgage industry collapsed, caused in substantial part by bad lending practices, and accelerated as credit markets tightened and the economy slowed. The result is a sharp decline in market values and erosion in the property tax base.

The Housing Bubble: Case-Shiller Home Price Index



Source: Standard & Poor's, September 30, 2008.

Much attention has been given to the subprime mortgage market as a catalyst to the housing price collapse. Compared with other states, particularly those in the South and West, significantly fewer subprime loans were issued in New York, although there are areas within the State where subprime mortgages were utilized more frequently – particularly in New York City, Long Island and the Mid-Hudson region. However, the number of home foreclosures in New York is increasing as more homeowners are faced with mortgages of all types that they can no longer afford. In essence, homeowners are being squeezed at both ends: the house they bought may no longer be worth what they paid for it (they are "upside down" in their home equity ratio), and the cost of their mortgage has increased (variable interest rates, balloon payments, etc.). Even in areas where foreclosure rates have not increased substantially, the continuing turmoil in the housing market and the ensuing credit crisis are making it increasingly difficult for prospective homeowners to secure mortgages and for existing homeowners to refinance at more affordable rates.

Foreclosures have a direct impact on home values. Properties in foreclosure are often sold at auction under distressed circumstances, driving down sale prices. They may also lie abandoned for some period of time, contributing to neighborhood blight and devaluing surrounding property. Both of these factors impact the larger housing market.

This report focuses on the potential impact of declining housing prices on local government finances. While no one can predict how far the housing market will decline nor how long it will take to rebound, it is clear that certain communities could suffer from a sustained erosion of their property tax base, forcing property tax rate increases and creating cash flow disruption if property tax bills are not paid in a timely manner, or at all.

The Subprime Problem in New York State

Background

During the housing boom, the availability of easy credit opened the housing market to homebuyers who may have lacked the ability to repay their mortgage debts fully. Many of these borrowers, frequently encouraged by lenders employing imprudent sales tactics and underwriting criteria, were hoping to liquidate equity accumulated from the rapid appreciation of their homes to fund their mortgages. As property values declined, this equity disappeared, leading to mortgage defaults and eventual foreclosures.

Contributing to this housing crisis were a significant number of risky mortgage products including, for example, loans that offered low introductory rates but reset those rates periodically or required "balloon" payments at a later point in the loan amortization schedule. This created a situation where homeowners were unable to pay their mortgages when interest rates increased. Solely for the purpose of this report, we refer to risky mortgage products, as well as loans to borrowers with poor credit, as "subprime mortgages" or "subprime loans."

Certain subprime mortgage practices also contributed to the housing meltdown. One was the use of yield-spread premiums. In this situation, mortgage brokers were compensated by lenders for selling mortgages at interest rates that were higher than market rates. This meant loan originators had a financial interest in pushing subprime mortgage products. The Center for Responsible Lending estimated that high yield-spread premiums exist in 85 to 90 percent of subprime mortgage loans, and that more than three quarters of these borrowers could have used a less expensive method to cover costs.[1]

Another common lending practice during the housing boom involved the use of hybrid adjustable rate mortgages (ARMs). These ARMs allow borrowers to get loans with low interest rates for a set time period, and then the interest rates increased, often dramatically. Brokers often sold these products based on a customer's ability to make payments on the initial rate, knowing there was a significant chance that the borrower could not afford the much higher mortgage payments that would be required later in the life of the loan. Borrowers agreed to these loans assuming they could refinance before the reset period, or sell their house at an appreciated value. When the housing bubble collapsed and credit tightened, these conditions no longer existed, triggering defaults.

Compounding problems for borrowers were prepayment penalties and other fees imbedded in subprime mortgage documents that added significant costs when borrowers were compelled to sell or refinance. The mortgage industry reaped the benefits of these arrangements, but such practices were rooted in the assumption that the underlying assets would continue to appreciate. When housing prices fell, these fees added incentives for borrowers to default.

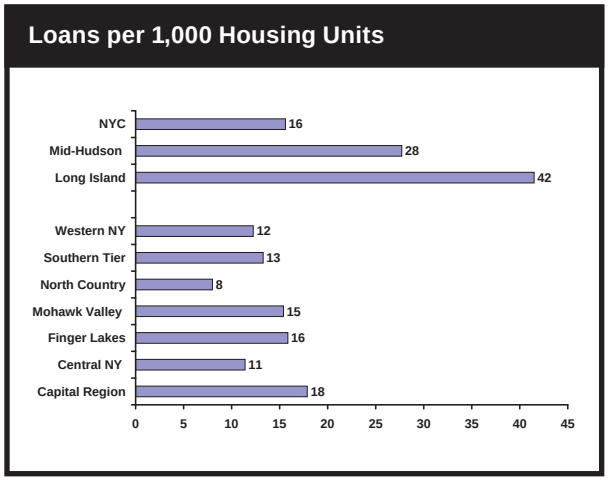
Finally, there is evidence that these risks were enhanced by undisclosed and pervasive relaxation and abandonment of loan underwriting standards as the bulk of mortgage loans were securitized, divided into various tranches and sold to investment firms, thus offloading and spreading onto others the risk of delinquency and default.

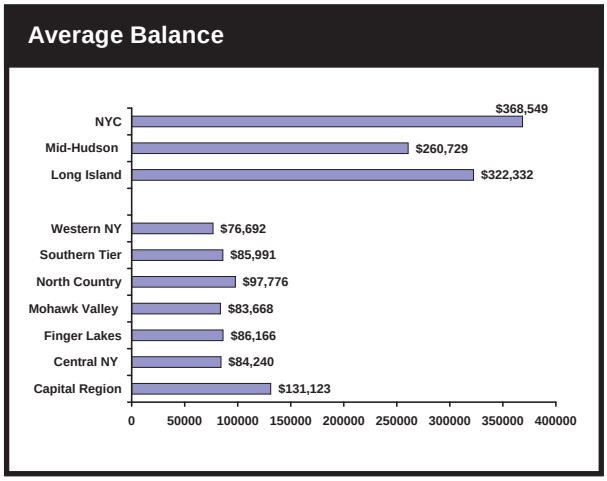
Subprime Mortgages in New York State

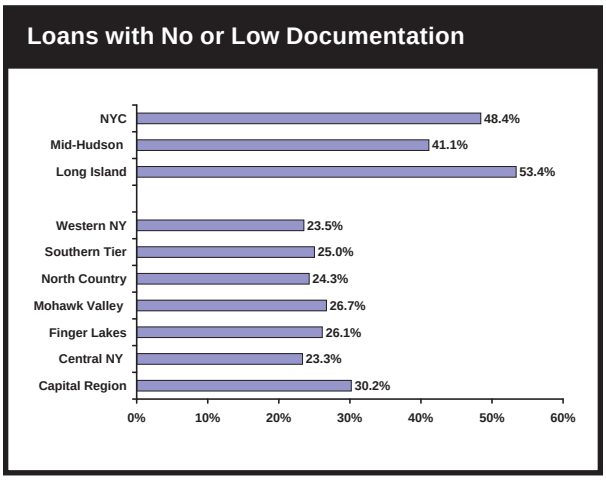
In New York, subprime loans were not used as extensively as in other states, in part because of tighter banking laws and better oversight. As a share of all loans, subprime mortgages constitute only 5.4 percent of the total portfolio.[2] Roughly half of the subprime mortgages in New York State are variable rate loans, and of those, approximately one third will reset in 2008.

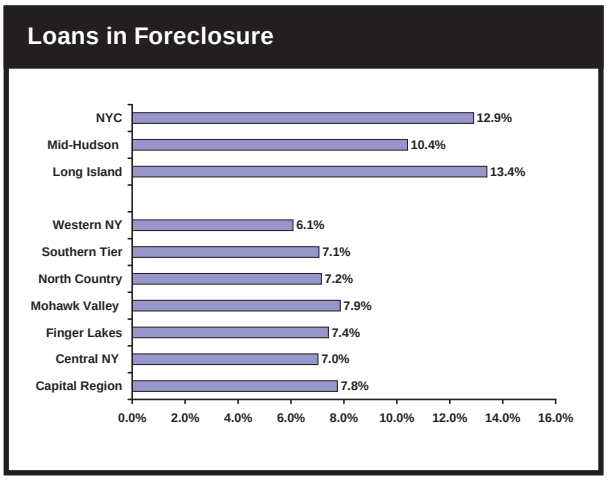
Within the State, subprime usage varies dramatically; as of January 2008, there were roughly 150,000 subprime mortgages in New York. Most of these mortgages (73 percent) were used to fund properties located downstate. Thirty percent are for properties located in New York City, 28 percent in Long Island and another 15 percent in the Mid-Hudson region.

Subprime Loan Indicators by Economic Development Region







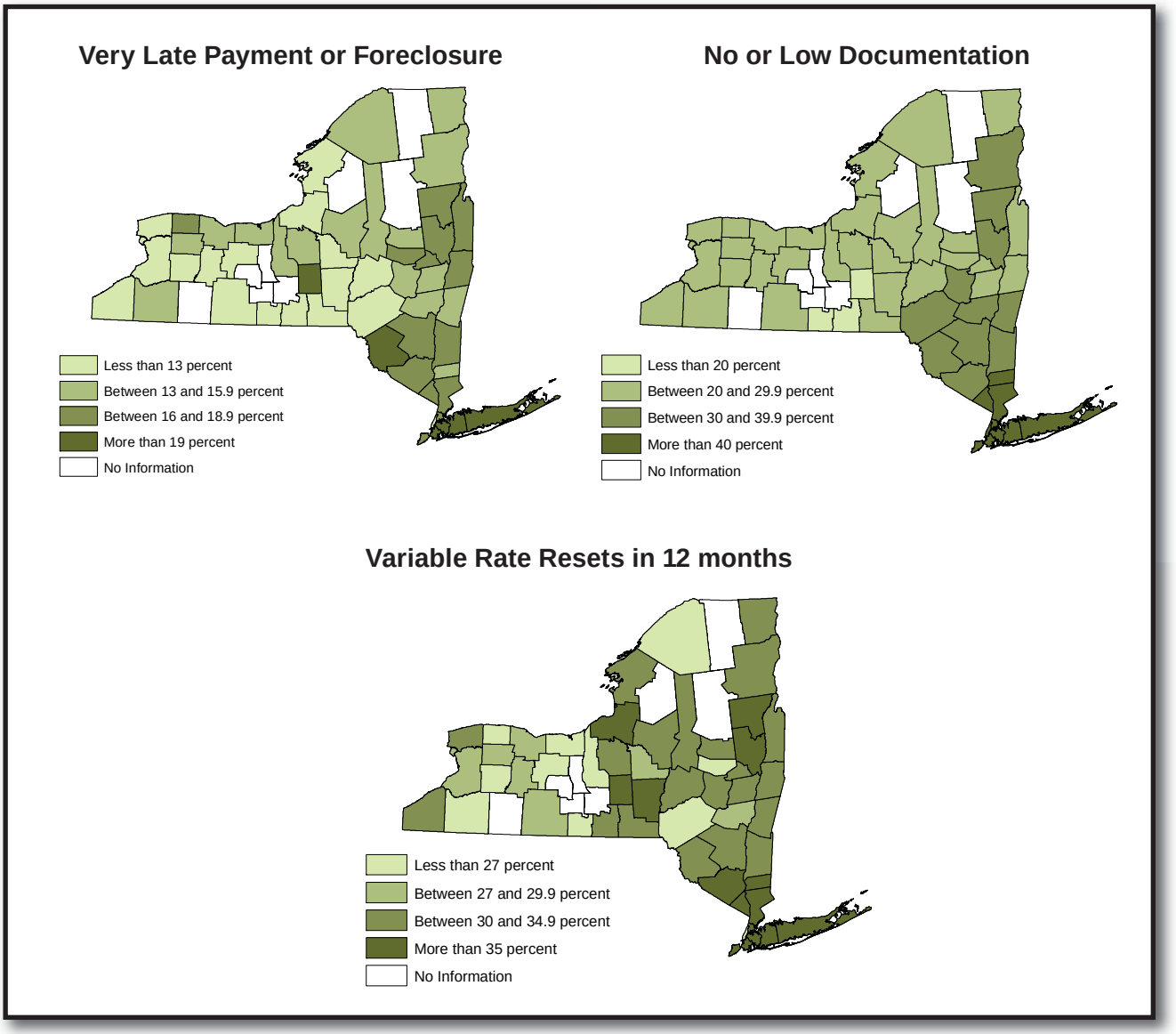


* Values for regions are averages of the counties in each region.

Source: Federal Reserve Bank of New York

The use of subprime loans made home ownership in these high-cost areas possible for many individuals and families who would be ineligible under conventional mortgage guidelines. However, the downstate region is more likely to have subprime borrowers who provided low or no documentation in support of their creditworthiness, increasing the probability of default.

Westchester County; for example, is home to almost 7,000 subprime mortgages, and Westchester County has the highest average subprime balance ($387,071) outside of New York City. There are another 5,300 subprime loans in Orange County—one of the fastest growing counties in the downstate area, and Orange County homeowners are twice as likely to have a subprime mortgage as homeowners in Westchester County.



Upstate, the picture is much different. As of January 2008, there were 40,400 subprime mortgages in upstate New York, concentrated in a few large urban counties. For example, in Erie County, where there are 6,200 subprime loans, the average loan balance is $86,000. However, the average loan to value ratio is 86 percent—suggesting that if property values were to sharply decline, homeowners could become "upside down" on the loan and owe more than the property is worth (i.e., negative equity). A similar situation exists in Onondaga, Monroe and Broome counties, as well as in many counties in the Capital Region.

In response to the housing market crisis, the Legislature and Governor have taken action to protect homeowners in danger of foreclosure. A new law (Chapter 472 of the Laws of 2008) requires lenders to provide notice to the homeowner at least 90 days before the initiation of a foreclosure proceeding. Lenders must also provide a list of approved housing counselors serving the homeowner's area. For homeowners with certain subprime loans, the legislation establishes a mandatory settlement conference and the provision of a court-appointed attorney to represent homeowners who cannot afford their own legal representation. To protect homeowners against questionable foreclosure practices, lenders must demonstrate that they have proper legal standing to carry out the foreclosure action. To protect against foreclosure rescue scams, the bill also requires written contracts and prohibits upfront fees for these services.

Additionally, the law focuses on preventing a recurrence of the problems which have caused the current situation. These measures include requirements to ensure that lenders properly assess the borrower's ability to repay the loan, and a requirement that brokers act in the borrower's best interest by offering loans which are most beneficial to the borrower. To prevent fraud in the housing market, all entities servicing loans in New York State must now register with the Banking Department, and mortgage fraud will be classified as a crime under Penal Law and subject to prosecution.

Beyond Subprime: The Housing Market in New York

This section focuses on recent trends in the housing market, including foreclosure rates, housing prices and the slowdown in home sales.

Foreclosures

Foreclosure rates are an important indicator of the viability of the housing market in a particular region. Communities in which a large number of properties go into foreclosure face several challenges. Foreclosed homes tend to devalue surrounding homes, negatively affecting the values within an entire neighborhood.

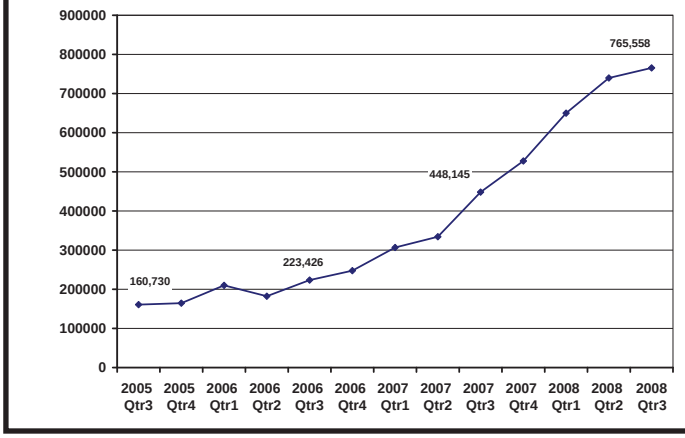
Additionally, vacant homes detract from the appeal of a particular neighborhood, making sales in these areas more difficult, and often placing a greater burden on local officials to monitor and protect the vacant homes—potentially straining local budgets and taxpayers.

During the third quarter of 2008, there were over 765,000 foreclosures nationwide, which represents more than a three-fold increase over the third quarter of 2006, when roughly 223,000 U.S. households experienced a foreclosure.

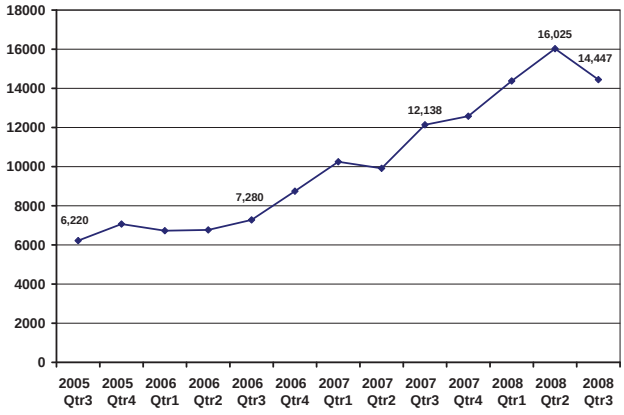
According to the most recent foreclosure statistics, 1 in every 165 U.S. households faced a foreclosure in the third quarter of 2008.[3] Foreclosure rates were highest in Nevada (1 in 35 households), California (1 in 62), Arizona (1 in 64) and Florida (1 in 67). With a foreclosure rate of 1 out of every 546 households during the third quarter of 2008, New York State ranks 36th nationally.

Properties in Foreclosure

U.S. Total



New York State



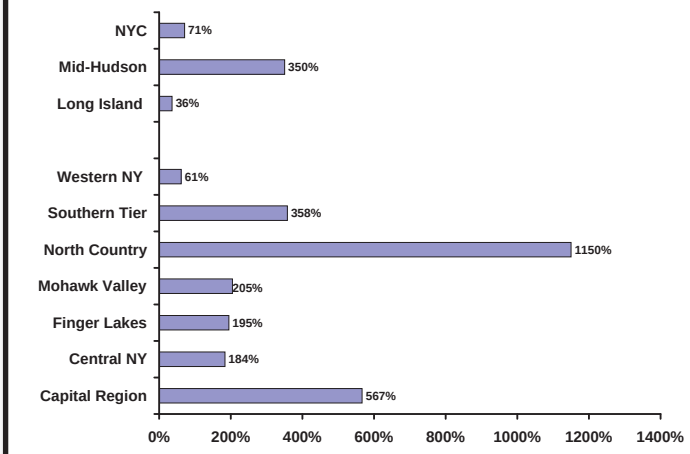
Source: RealtyTrac

While this is good news, the housing crisis has caused the rate of foreclosures in New York to increase significantly. Statewide, the number of foreclosures increased from 21,826 in 2006 to 38,688 in 2007—an increase of 77 percent. In the first three quarters of 2008, this pattern continued and even though foreclosures declined by nearly 10 percent from the second to the third quarter of 2008, foreclosures still represent a 19 percent increase over 2007. The recent decline in foreclosures Statewide is probably the result of legislative actions at the State level. New State laws requiring 90 days notice prior to initiation of foreclosure action and mandatory settlement conferences have likely caused lenders to delay foreclosure actions, leading to fewer foreclosures in the third quarter.

The first quarter of 2008 represented a 40 percent increase over 2007 and the second quarter represented a 62 percent increase. Foreclosures Statewide for the third quarter of 2008 show an increase of 99 percent over 2006, and 19 percent since 2007. Should these rates of increase continue, over 50,000 New York homeowners could experience a foreclosure in 2008.

Upstate, foreclosures in the third quarter of 2008 reflect an increase of 147 percent overall since 2006, while downstate experienced an increase of 85 percent during the same period. During the third quarter of 2008, foreclosures in the New York City and Long Island regions increased by 71 percent and 36 percent respectively when compared to the third quarter of 2006. The worst rates of foreclosure in the New York City area were in Queens and Richmond (Staten Island) counties, where one in 355 and one in 253 households faced foreclosure in the third quarter of 2008, respectively. Both of the areas are significantly above the State average, but still below the national average.

Percent Change in Foreclosures by Region
(2006-2008, July-Sept)



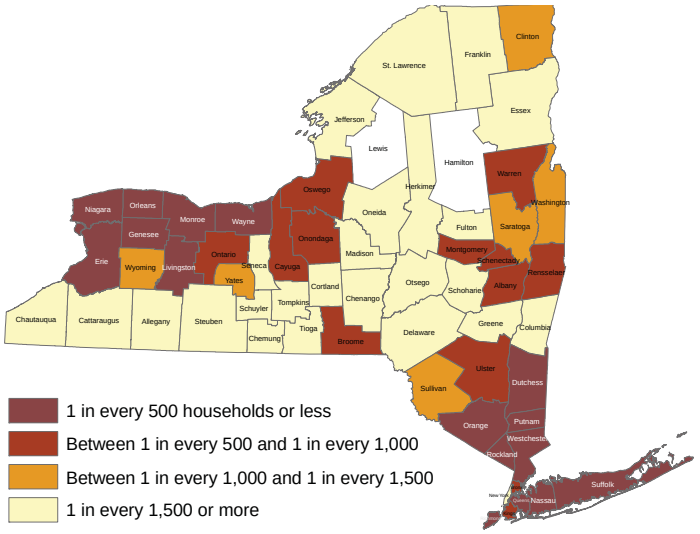
Moreover, the data show that there are definite pockets within New York State where foreclosure rates have increased significantly, notably, the Mid-Hudson, Southern Tier, and Capital District regions. The North Country is somewhat of an anomaly because it has very few total foreclosures. In Orange County, one out of every 205 households faced a foreclosure in the third quarter of 2008, making Orange County's foreclosure rate the worst in the State.

While the absolute number of foreclosures is still low, the rates of increase are somewhat alarming. In the Capital Region, third-quarter foreclosure filings increased by 567 percent from 2006. In Albany County, for example, foreclosures during the third quarter of 2008 increased five-fold. And for Schenectady County, foreclosure filings increased from 19 in the third quarter of 2006 to 51 in 2007 to 124 in 2008—a significant increase in the two-year period. Most of the foreclosure growth in the Southern Tier can be attributed to Broome County, where foreclosure filings increased from 18 in the third quarter of 2006 to 50 in 2007, and to 173 in 2008—nearly a ten-fold increase.

The majority of the foreclosures occurring upstate are concentrated in six urban counties – Erie (1,229), Monroe (881), Niagara (281), Albany (262), Onondaga (209), and Broome (173). Together, these six counties account for 74 percent of the third quarter foreclosures in upstate New York. These are also counties where subprime mortgage instruments were used most heavily.

The foreclosure rates in New York State are far below those experienced in the hardest hit states, yet the growth rate in foreclosures, particularly in urban areas, is cause for concern. These areas could continue to face significant growth in home foreclosures as the economy worsens.

Foreclosure Rates: 3rd Quarter 2008

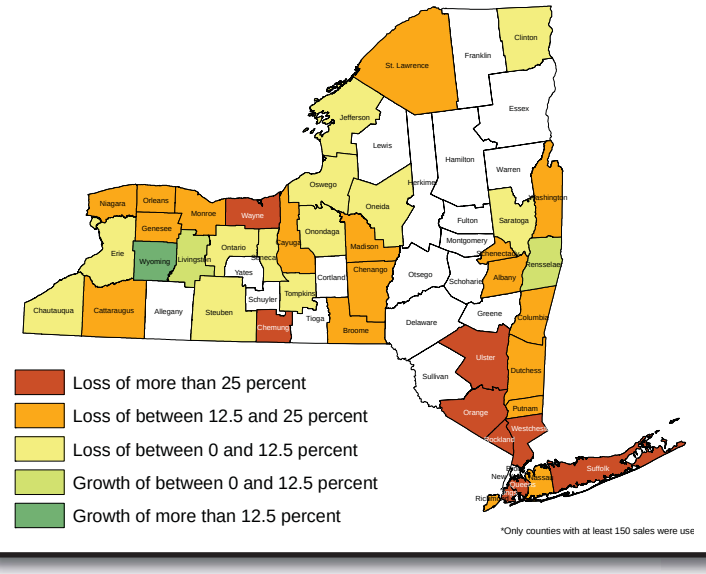


Home Sales and Prices

Other important indicators of local housing market values are the number of home sales and sale prices. Based on quarterly sales data, it is clear that the housing market in New York State has slowed dramatically compared to prior periods. The number of sales occurring in the first half of the year (January–June) decreased in 2008 when compared to 2007 for every region of the State. In addition, median sale price has declined in many areas. More recent monthly sales data appear to confirm that this trend is continuing.

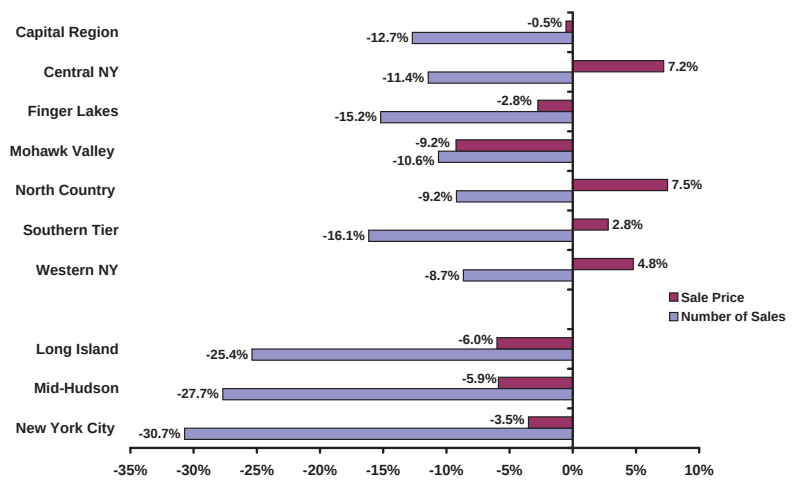
Every downstate county experienced a decrease in the number of sales when comparing the first half of 2008 to that of 2007, and in some cases the decline was severe. The median sale price has also begun to decrease. These findings suggest that the ability of homeowners to cash out their equity or rely on a quick sale to get out from under an unaffordable mortgage is increasingly limited.

Home Sales Comparison: Number of Houses Sold 2007-2008



In the upstate regions, there is a similar but less severe negative trend. With the exception of the North Country (-9.2 percent) and Western New York (-8.7 percent), home sales in each of the upstate regions have declined at a double-digit rate from the first half of 2007. The decline in sale price has been less severe.

Percent Change in First Half Home Sales and Sale Price by Region (2007 – 2008, January – June)



Source: New York State Association of Realtors

These data also indicate that there are some bright spots in upstate New York's housing market. Albany County, for example, experienced a decrease in home sales of 20 percent from the first half of 2007, yet the median sale price during this period increased by nearly 6 percent. The median sale price in Broome County has increased by 7 percent despite a decline of nearly 16 percent in sales. These trends may be influenced by the type of housing being sold (starter homes versus high-end luxury homes).

Fiscal Implications of the Housing Decline for Local Governments

Local governments - particularly school districts - rely heavily on property tax revenues generated from the value of the property tax base. In 2007, local governments collected nearly $37 billion in property tax revenues, and the $28 billion raised outside New York City constituted 44 percent of total revenues for all local governments. For most classes of local government, the property tax is the largest source of revenue.[4]

The property tax has historically been a stable revenue source for localities because it is relatively easy to administer, is under local control, and is levied on a relatively stable base, making the tax yield relatively easy to predict (unlike more economically sensitive taxes such as the sales tax).

In addition, the property tax is often the "tax of last resort" since, once all other revenues have been estimated, the property tax fills the remaining hole for budgetary purposes. Thus, the tax rate is set based on the amount of levy required and the existing property value for the locality (see accompanying box on calculating tax rates).

The property tax is growing faster than most other local government revenues, averaging 6.6 percent growth per year from 2002 to 2007, more than double the rate of inflation, and New York State residents already face a comparatively high tax burden. For those residing downstate, property taxes are high on a per capita basis. Nassau, Westchester and Rockland counties rank among the top 10 counties in the nation with the highest median property taxes per household. However, in Central and Western New York, where property values have historically been lower, and have not grown as fast, property tax rates are extremely high: eight of the top 10 effective total property tax rates in the nation (measured as a percentage of home value) are in upstate New York.[5]

How is a Tax Rate Computed?

A tax rate represents the amount of tax that is paid in relation to the value of property. A higher tax rate implies a greater fiscal burden. Tax rates are typically expressed as the amount of tax per $1,000 of property value.

Tax rates are computed using the following formula:

$$\textbf{2008 Tax Rate} = \frac{\text{2008 Levy}}{\text{(2008 Full Value/1000)}}$$

Levy is the total amount that a local government bills taxpayers, and full value is the market value of property located within a local government. Full value includes both residential and commercially zoned property, and does not include tax–exempt property.

In this analysis, full value tax rates are used instead of assessed value rates. Full value takes into account the different assessment rates of localities and enables a more appropriate comparison of tax burden across taxing entities and over time.

As the property tax burden has grown, local officials have had increasing difficulty raising tax rates. When property values are stable or increase over time, rates remain stable or can even decline and local governments can still raise the same amount of levy. But during times of economic stress when housing values decline, localities are forced to raise tax rates just to generate the same amount of tax levy as the previous year.

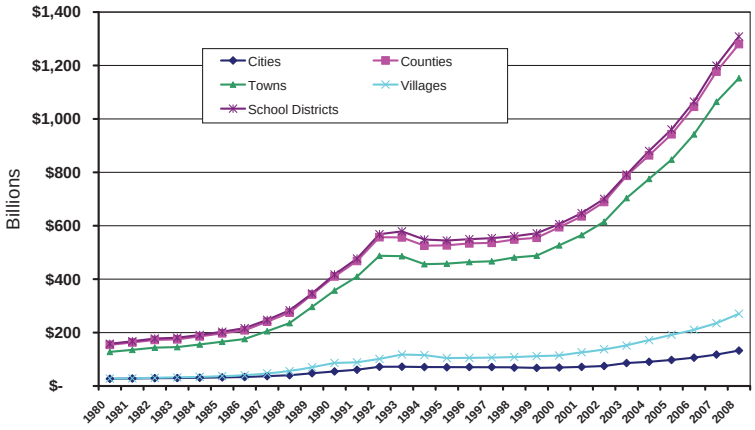
The Impact of Declining Property Value on Property Tax Levy

For this analysis, the impact on property tax revenues for each class of local government was estimated assuming that the market value of property declined by 10 percent using two different methods. In reality, property taxes are based upon assessed values and not full or market values; this means that the impact on property taxes tends to lag behind the housing decline. Further, four class–unique property tax systems in New York City and Nassau County tend to limit changes to property tax rates. Therefore, this illustration represents a "worst case" scenario that, realistically, could play out over several years.

Historically, New York has experienced a similar decline. During the early 1990s property values declined by 5.2 percent overall, and were relatively stagnant until declining interest rates and an improved economy in the mid–to–late 1990s fueled growth in property values over the past decade. This accelerated growth was accompanied by record low interest rates and, as we now know, loose credit standards.

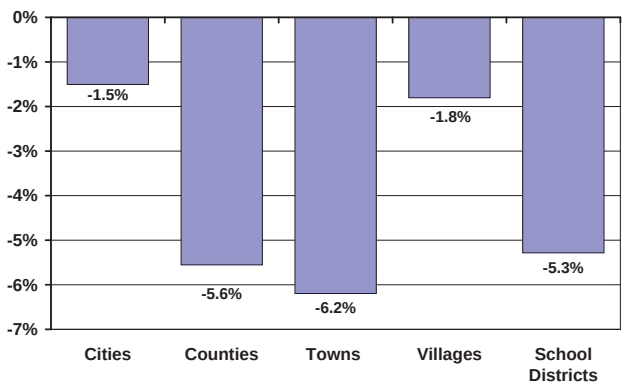
The accompanying chart shows the decline in property values by class, between 1993 and 1994. During this period of full value decline, levy growth slowed for most classes as well: 0.6 percent in cities, 3.9 percent in towns, 3.8 percent in villages and 5.2 percent in school districts. Counties actually experienced a *decrease* of 4.8 percent. Across all classes, the growth in levy between 1993 and 1994 was significantly lower compared to the average annual growth in the preceding five year period (1988–1993).

Property values in counties* have grown at an average annual rate of 8.8% over the last 10 years



* Excluding New York City

Percent Change in Property Values* Between 1993 and 1994



* Excluding New York City

Method 1: Estimating Levy "at Risk" if Property Values Were to Decline

The impact of a property value decrease on tax levy and the resulting tax rate cannot be estimated without imposing assumptions about local behavior. For example, rather than increasing tax rates, local officials can make spending cuts or take other actions to balance their budgets. This analysis simply estimates how much levy is "at risk" assuming property values decline by 5 percent and the tax rate is held constant. We then calculate the tax rate increase needed to maintain the levy and the rate necessary to continue levy growth at historical levels.

Assuming no other changes to the tax base, if property tax rates were held constant at 2008 levels and property value declined by 5 percent, the statewide estimated impact on the levy would be approximately $1.3 billion. School districts (outside New York City) alone could lose over $900 million in levy under this scenario. In order to maintain the tax levy at the 2008 level, local governments would have to increase tax rates by 5.3 percent. Maintaining levy at the historic level of growth would require double-digit increases in tax rates. Again, in reality, such changes would play out over time as assessed valuations are modified to reflect market valuations.[6]

Percent Change in Tax Rate Required to Maintain Levy Growth at Historic Rates

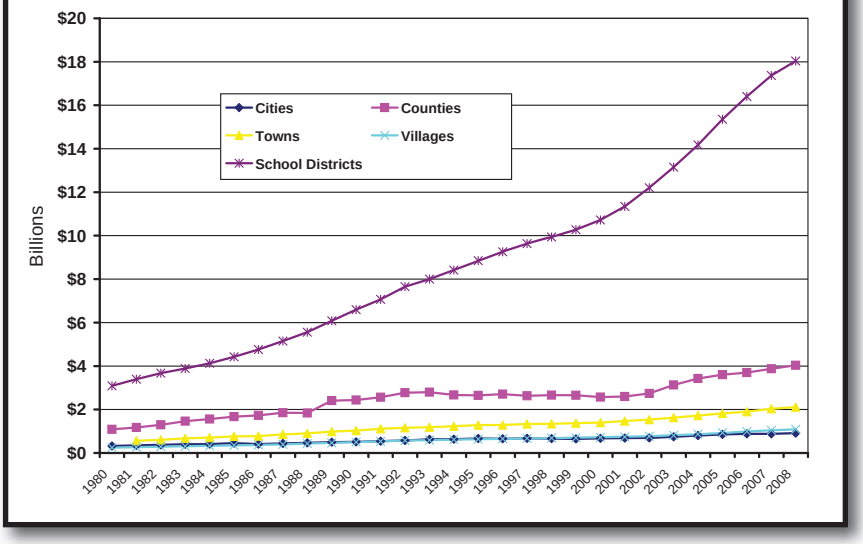
	Historic Levy Growth Rate	Change in Tax Rate Required to Maintain Growth if FV Declines by 5%
Cities	3.8%	9.2%
Counties	4.8%	10.3%
Towns	5.0%	10.5%
Villages	5.5%	11.0%
School Districts	6.5%	12.1%

Method 2: Estimating Tax Levy Based on Historical Full Value and Tax Rates

While the method previously described is straightforward, it is somewhat unrealistic. Historically, in years when property values have declined or remained flat, levies continue to grow. While there have been periods in which cities and counties have seen their overall levy amounts decline from one year to the next, school districts, towns and villages as a class have raised their total levy each year since 1980. However, in years when full values are lagging, the rate at which the levy increases is typically lower.

The slopes of the lines in the accompanying chart represent the difference in levy behavior between counties and school districts. We then repeated this analysis for the other classes of government.

Historical Local Government Levies, 1980–2008



By analyzing the relationship between property value and levy, the change in levy after a hypothetical 5 percent reduction in property value can be estimated. This estimate was then compared to the historical average. The results are shown for all classes of government.[7]

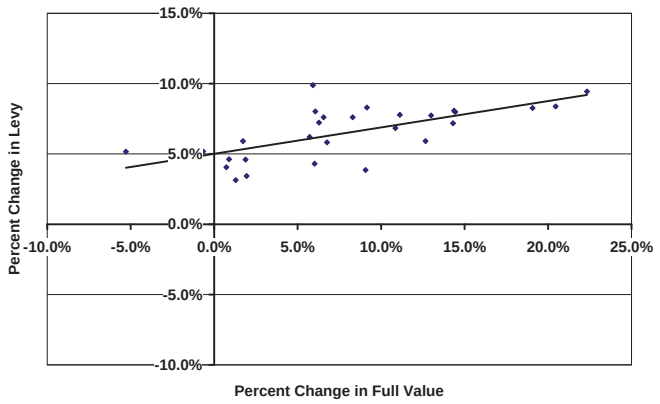
Method I illustrated an overall loss in levy assuming a constant tax rate. Based on this assumption, we estimate that a 5 percent reduction in full value would result in a $1.3 billion reduction in levy, assuming the tax rate was held to the 2008 level. Method II stipulated a predicted percent change in levy, recognizing that if property values decrease, levy increases are likely to occur, but these increases will not likely keep pace with average historical increases. Based on these two methods, we estimate the potential single-year impact of a 5 percent full value decrease to be between $1.0 billion and $1.3 billion.

First Year Potential Loss in Levy (Million $)

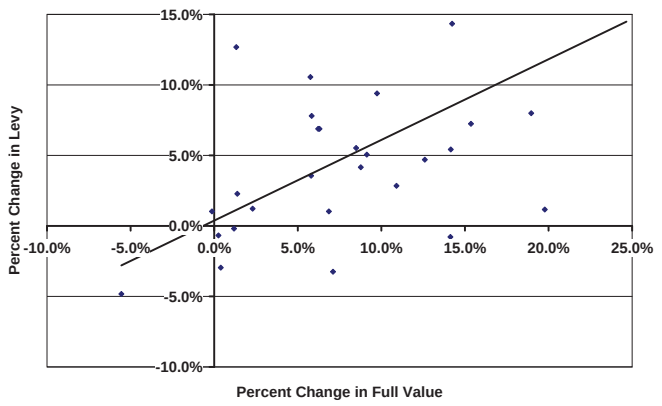
	Method I	Method II
Cities	$45.8	$23.2
Counties	$201.9	$350.0
Towns	$105.5	$68.3
Villages	$54.5	$34.8
School Districts	$902.0	$566.1
Total	**$1,309.6**	**$1,042.4**

Relationship Between Year-Over-Year Change in Property Value and Tax Levy (1980-2008)

School Districts



Counties



Impact on Property Tax Limits

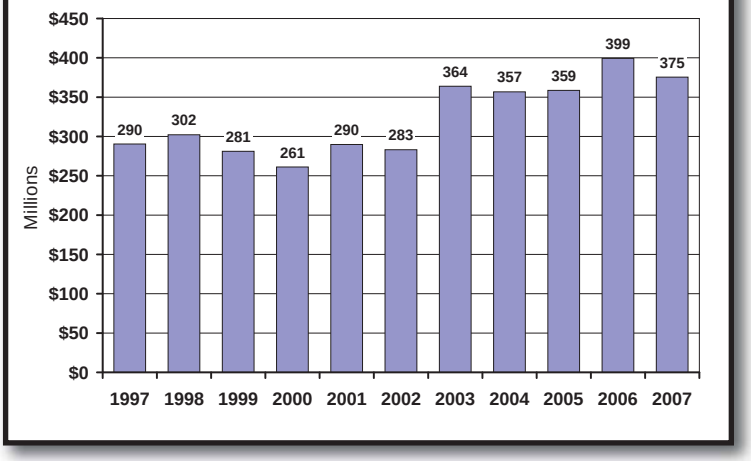
Constitutional tax limits apply to cities, counties and villages. Therefore, these entities are limited by law in how much revenue they can raise through the property tax. For counties, the tax limit is generally calculated as 1.5 percent of full value, and for villages and cities (excluding New York City), the tax limit is computed as 2 percent of full value. When property values decline, the "ceiling" is lowered and local governments already close to their taxing limit may find themselves at or above the limit.

As of November 2008, there are eight villages, six cities and one county exceeding 80 percent of their constitutional tax limit.[8] If property values decline in the future, these localities could face significant challenges.

Impact on Cash Flow

In an environment of falling housing prices, homeowners are likely to be scrutinizing their property tax bills, and assessment challenges and tax certiori proceedings can result. Even taxpayers who agree with their assessment may stretch out payment of property taxes until threatened with foreclosure for nonpayment. When foreclosures do occur, banks or local governments take over ownership of properties, and there is likely to be a delay in the payment of property taxes. In this environment, local governments are faced with a delay in an anticipated revenue stream which could lead to cash flow problems.

County Payments to School Districts for Unpaid Taxes
(1997–2007)



In addition, when major assessment challenges and tax certiorari cases are finally settled, the tax burden can suddenly be shifted onto other taxpayers. These dynamics can further strain local budgets. While there are many variations in the way property taxes are administered throughout the State, most of the responsibility for collecting unpaid property taxes eventually falls on the county. Towns and school districts receive the entire levy amount to which they are entitled, and the county receives the balance of the amount along with the tax liens for the nonpayers. In other words, the county makes both the town and school district "whole" and is then responsible for enforcement and collection of unpaid taxes.[9] While most counties maintain receivables internally, a small number of counties have the authority to sell their liens to a private collections entity and do so.

In 2007, counties paid nearly $375 million to school districts for unpaid taxes—an increase of 44 percent since 2000. While counties are often able to recapture most of the funds expended for unpaid taxes, they must dedicate valuable resources for collection purposes, and often face cash flow pressures during a fiscal year when the unpaid tax amount increases unexpectedly. Cities and villages are also responsible for levying and enforcing their own taxes, and may also experience budgetary difficulties should the number of property owners who fail to pay increase significantly.

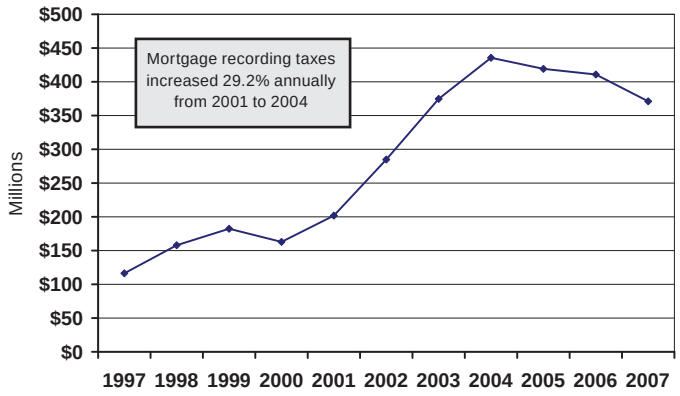
Impact on Other Revenues

As home sales decline, local governments receive less mortgage recording tax revenue. Mortgage taxes, which made up 5.8 percent of revenues in towns in 2007, had increased at an annual rate of 29 percent from 2001 to 2004, before towns experienced three consecutive decreases in mortgage tax revenues.[10] Some towns on Long Island are particularly affected. Between 2006 and 2007, Long Island towns reported an 18 percent decrease in mortgage recording tax revenues. Statewide, mortgage recording tax revenues fell nearly 15 percent in towns between 2004 and 2007.

Significant drops in mortgage recording taxes and the resultant budgetary impacts are already being reported in various news accounts from around the State. For example, the City of Yonkers recently announced plans for major spending cuts, including 200-300 layoffs by the end of the year. City officials cite a slowdown in property sales and the resulting decline in mortgage recording taxes and real estate transfer taxes as a major factor behind their current predicament. The loss associated with these revenues is estimated at $8.7 million for the year.[11]

Sales tax revenues are also affected by a housing market downturn. A strong and growing housing market drives more new construction, home improvements and associated purchases of home furnishings, all of which generate additional sales tax revenues. The housing downturn will decrease these revenues.

Mortgage Recording Taxes in Towns



Conclusion

The current housing market crisis could have far-reaching implications for New York's local governments.

The good news is that New York is less affected by the subprime mortgage crisis than other areas of the country, although there are some communities that are vulnerable. State policymakers have taken steps to help address the situation, and newly enacted legislation should work to mitigate further escalation in home foreclosure rates and help protect against these same problems occurring in the future.

The bad news is that there is a very real possibility that, given anticipated declines in property values, local governments will be faced with some tough choices in the future. Property taxes are the primary source of local revenue. A 5 percent reduction in property values could result in a "worst case" potential loss of between $1.0 billion and $1.3 billion dollars to local governments unless tax rates are increased significantly, with most of this loss occurring in school districts. The handful of local governments that are close to their constitutional tax limits will inch even closer, severely limiting their budget options. The potential impact of declining property values drives a host of tough decisions at the local level.

There are other concerns as well. The economic slowdown that has been fueled by the housing market crisis also threatens other revenue sources, such as sales and mortgage recording taxes. Problems in the housing market can lead to increased foreclosures that could also create cash flow problems for localities as property taxes go unpaid. The deteriorating economy also means that local governments will be facing a host of other challenges, such as potential reductions in federal and State aid.

Appendix A – Detailed Tables for Subprime Mortgage Indicators

Selected Indicators of Subprime Mortgage Stress: Downstate Counties

			Owner-Occupied Subprime Loans										
			Subprime Usage			Issuance Risk			Delinquency			Variable Rate	
Downstate Counties	Number of Subprime Loans	Percent of Loans Owner Occupied	Owner Occupied Subprime Loans per 1000 Housing Units	Average Current Interest Rate	Average Balance	Loans with FICO < 600	Loans with No or Low Documen-tation	Average Loan to Value (LTV) at Origination	At Least one Late Payment in Last 12 Months	Loans with a Payment 90+ Days Past Due	Loans in Fore-closure	Variable Rate Loans	Resetting in Next 12 months
Nassau	17,100	96%	36	7.7	$344,737	28.8%	54.1%	77.8%	47.7%	6.6%	12.6%	52.3%	40.3%
Suffolk	25,700	95%	47	7.8	$299,926	30.6%	52.7%	78.4%	50.7%	7.4%	14.2%	50.8%	38.0%
Long Island	**42,800**	**95%**	**42**	**7.8**	**$322,332**	**29.7%**	**53.4%**	**78.1%**	**49.2%**	**7.0%**	**13.4%**	**51.6%**	**39.2%**
Dutchess	3,500	93%	30	8.1	$243,282	35.0%	38.4%	80.4%	48.8%	7.0%	9.3%	51.3%	34.8%
Orange	5,300	93%	40	8.3	$224,391	35.7%	36.2%	81.9%	51.6%	7.3%	10.3%	54.6%	36.4%
Putnam	1,300	95%	35	7.8	$300,204	34.2%	41.1%	78.1%	48.3%	6.9%	8.9%	47.8%	36.9%
Rockland	2,600	95%	26	7.8	$332,301	32.3%	45.3%	77.4%	45.8%	6.4%	9.9%	53.5%	39.1%
Sullivan	1,100	86%	21	8.8	$147,472	41.4%	38.1%	81.8%	53.0%	6.1%	13.5%	52.6%	32.8%
Ulster	2,000	91%	23	8.3	$190,380	40.2%	39.1%	79.6%	49.9%	7.6%	10.6%	48.4%	33.7%
Westchester	6,900	94%	19	7.8	$387,071	28.5%	49.6%	77.3%	42.4%	5.8%	10.3%	52.1%	37.0%
Mid–Hudson	**22,700**	**93%**	**28**	**8.1**	**$260,729**	**35.3%**	**41.1%**	**79.5%**	**48.5%**	**6.7%**	**10.4%**	**51.5%**	**35.8%**
Bronx	6,700	91%	13	7.8	$342,419	23.9%	47.8%	82.2%	43.4%	5.6%	12.0%	53.3%	40.2%
Kings	14,500	92%	14	7.8	$382,598	25.9%	51.2%	77.0%	49.2%	6.1%	17.6%	53.2%	41.5%
New York	700	80%	1	7.6	$429,638	28.7%	44.5%	65.2%	30.7%	2.7%	8.0%	52.8%	25.1%
Queens	19,000	95%	22	7.7	$373,168	24.2%	56.2%	80.1%	47.6%	6.4%	14.8%	56.7%	41.7%
Richmond	4,800	94%	28	7.8	$314,922	32.8%	42.4%	78.7%	47.2%	6.4%	12.1%	54.7%	38.5%
NYC	**45,700**	**90%**	**16**	**7.8**	**$368,549**	**27.1%**	**48.4%**	**76.7%**	**43.6%**	**5.4%**	**12.9%**	**54.1%**	**37.4%**
Downstate Total	**111,200**	**92%**	**25**	**7.9**	**$308,036**	**31.6%**	**45.5%**	**78.3%**	**46.9%**	**6.3%**	**11.7%**	**52.4%**	**36.9%**
NYS (All Counties)	**151,600**	**89%**	**17**	**8.9**	**$150,074**	**40.6%**	**31.1%**	**83.0%**	**47.4%**	**6.6%**	**8.4%**	**46.2%**	**32.2%**

Source: Federal Reserve Bank of New York

Notes: (1) Allegany, Schuyler, Seneca, Yates, Franklin, Tompkins, Hamilton and Lewis Counties are excluded due to small number of cases.
(2) For the statewide and regional values, the number of subprime loans is summed for each county in the region. For all other indicators, the regional (and statewide) values represent averages of the counties in the region.

Appendix A – Detailed Tables for Subprime Mortgage Indicators

Selected Indicators of Subprime Mortgage Stress: Upstate Counties

			Owner-Occupied Subprime Loans										
			Subprime Usage			Issuance Risk			Delinquency			Variable Rate	
Upstate Counties	Number of Subprime Loans	Percent of Loans Owner Occupied	Owner Occupied Subprime Loans per 1000 Housing Units	Average Current Interest Rate	Average Balance	Loans with FICO < 600	Loans with No or Low Documen-tation	Average Loan to Value (LTV) at Origination	At Least one Late Payment in Last 12 Months	Loans with a Payment 90+ Days Past Due	Loans in Fore-closure	Variable Rate Loans	Resetting in Next 12 months
Albany	2,400	77%	14	8.8	$125,240	37.6%	27.8%	84.7%	45.5%	6.1%	8.3%	50.1%	32.4%
Columbia	500	89%	13	8.6	$157,673	39.0%	34.6%	77.7%	45.2%	7.7%	8.1%	43.7%	33.9%
Greene	500	86%	16	8.8	$141,752	42.1%	32.9%	80.4%	47.4%	6.9%	7.4%	43.8%	28.3%
Rensselaer	1,600	84%	20	9.0	$115,431	38.8%	28.2%	84.6%	50.3%	8.1%	9.1%	51.7%	33.4%
Saratoga	1,600	92%	17	8.4	$169,705	36.8%	30.5%	83.2%	44.5%	9.2%	6.8%	51.0%	35.1%
Schenectady	2,000	78%	24	8.9	$104,598	37.0%	28.1%	86.2%	49.3%	7.6%	8.4%	49.4%	33.1%
Warren	700	86%	16	8.8	$134,794	38.7%	33.0%	81.6%	49.1%	9.4%	7.4%	49.6%	35.2%
Washington	700	92%	23	9.0	$99,792	44.3%	26.5%	84.1%	52.7%	9.5%	6.5%	50.4%	33.6%
Capital Region	**10,000**	**85%**	**18**	**8.8**	**$131,123**	**39.3%**	**30.2%**	**82.8%**	**48.0%**	**8.1%**	**7.8%**	**48.7%**	**33.1%**
Cayuga	500	90%	12	9.2	$82,060	43.2%	25.9%	85.7%	47.1%	8.5%	6.6%	42.8%	26.7%
Cortland	200	89%	11	9.3	$79,284	47.4%	14.9%	86.8%	53.0%	9.3%	9.8%	43.7%	35.1%
Madison	400	88%	11	9.3	$91,442	42.9%	25.0%	86.2%	47.2%	5.9%	5.9%	45.7%	29.7%
Onondaga	2,800	87%	12	9.2	$88,528	43.4%	25.9%	86.2%	47.0%	6.6%	6.5%	43.1%	32.4%
Oswego	700	87%	11	9.3	$79,884	45.4%	25.0%	86.0%	48.2%	6.3%	6.3%	44.9%	39.3%
Central NY	**4,600**	**88%**	**11**	**9.2**	**$84,240**	**44.5%**	**23.3%**	**86.2%**	**48.5%**	**7.3%**	**7.0%**	**44.0%**	**32.6%**
Genesee	400	93%	15	9.2	$84,721	41.4%	22.8%	86.7%	43.9%	6.9%	8.6%	42.2%	27.0%
Livingston	400	91%	16	9.1	$89,558	41.2%	25.7%	84.7%	47.1%	4.8%	7.2%	40.4%	27.8%
Monroe	5,300	84%	15	9.2	$89,122	42.0%	29.3%	87.6%	46.7%	6.8%	7.0%	44.7%	29.0%
Ontario	600	91%	13	9.2	$101,783	43.6%	27.7%	85.3%	48.2%	5.7%	6.7%	43.4%	26.4%
Orleans	400	94%	21	9.8	$73,486	49.9%	24.7%	86.3%	49.0%	9.3%	7.9%	46.8%	26.3%
Wayne	700	92%	17	9.3	$89,117	45.6%	26.1%	86.1%	51.1%	6.7%	7.8%	43.9%	26.3%
Wyoming	300	91%	14	9.4	$75,375	42.4%	26.5%	83.9%	48.7%	5.5%	6.7%	35.3%	26.2%
Finger Lakes	**8,100**	**91%**	**16**	**9.3**	**$86,166**	**43.7%**	**26.1%**	**85.8%**	**47.8%**	**6.5%**	**7.4%**	**42.4%**	**27.0%**
Fulton	600	86%	18	9.3	$78,390	45.2%	24.2%	85.5%	49.1%	6.8%	7.2%	52.4%	33.7%
Herkimer	400	86%	12	9.2	$74,172	43.5%	25.1%	85.5%	49.0%	6.5%	7.3%	44.0%	30.4%
Montgomery	600	86%	22	9.3	$81,782	41.2%	23.5%	84.8%	49.7%	8.5%	8.2%	45.9%	26.3%
Oneida	1,300	87%	11	9.3	$80,803	46.3%	28.6%	85.6%	49.6%	6.0%	7.9%	43.3%	33.9%
Schoharie	200	91%	14	9.1	$103,191	45.0%	32.1%	82.5%	51.4%	5.5%	8.7%	40.8%	32.6%
Mohawk Valley	**3,100**	**87%**	**15**	**9.2**	**$83,668**	**44.2%**	**26.7%**	**84.8%**	**49.8%**	**6.7%**	**7.9%**	**45.3%**	**31.4%**
Clinton	400	90%	11	9.1	$99,296	42.3%	22.3%	85.7%	49.3%	6.1%	8.4%	45.7%	32.9%
Essex	300	89%	10	9.0	$128,124	51.1%	30.7%	79.4%	49.8%	7.8%	6.1%	44.2%	32.4%
Jefferson	500	82%	7	9.4	$91,191	47.0%	23.7%	81.9%	42.2%	5.8%	5.3%	42.5%	30.4%
St. Lawrence	200	92%	4	9.6	$72,493	48.6%	20.4%	84.6%	46.8%	5.6%	8.8%	40.7%	22.7%
North Country	**1,400**	**88%**	**8**	**9.3**	**$97,776**	**47.3%**	**24.3%**	**82.9%**	**47.0%**	**6.3%**	**7.2%**	**43.3%**	**29.6%**
Broome	1,400	84%	13	9.2	$81,943	42.1%	25.7%	86.8%	38.8%	5.2%	7.0%	40.4%	31.6%
Chemung	800	88%	19	9.4	$70,182	47.5%	16.8%	88.0%	44.4%	4.6%	6.4%	40.1%	25.6%
Chenango	300	89%	13	9.2	$81,942	43.6%	29.0%	83.1%	44.9%	5.0%	7.9%	37.0%	37.5%
Delaware	400	85%	11	9.1	$110,872	42.0%	33.3%	81.6%	45.2%	4.5%	8.0%	47.1%	26.5%
Otsego	400	88%	12	9.0	$103,275	43.5%	29.9%	82.8%	48.9%	6.2%	6.5%	45.2%	31.9%
Steuben	600	90%	11	9.6	$72,824	50.5%	20.9%	86.5%	46.4%	5.6%	5.8%	40.7%	28.3%
Tioga	300	95%	14	9.4	$80,897	42.7%	19.5%	84.9%	49.1%	4.8%	7.8%	43.7%	34.4%
Southern Tier	**4,200**	**88%**	**13**	**9.3**	**$85,991**	**44.6%**	**25.0%**	**84.8%**	**45.4%**	**5.1%**	**7.1%**	**42.0%**	**30.8%**
Cattaraugus	400	92%	10	9.5	$71,502	45.8%	24.4%	85.3%	43.5%	7.9%	7.1%	36.9%	23.4%
Chautauqua	800	91%	12	9.6	$69,185	47.5%	24.4%	84.8%	49.5%	6.8%	5.5%	39.0%	30.3%
Erie	6,200	86%	13	9.4	$85,915	45.7%	24.2%	85.6%	47.0%	6.8%	5.2%	42.6%	27.9%
Niagara	1,600	89%	14	9.3	$80,165	44.0%	21.1%	86.4%	47.1%	6.1%	6.5%	41.9%	32.1%
Western NY	**9,000**	**89%**	**12**	**9.5**	**$76,692**	**45.8%**	**23.5%**	**85.5%**	**46.8%**	**6.9%**	**6.1%**	**40.1%**	**28.4%**
Upstate Counties (All)	**40,400**	**88%**	**14**	**9.2**	**$94,787**	**43.7%**	**26.0%**	**84.6%**	**47.6%**	**6.7%**	**7.3%**	**44.0%**	**30.6%**

Source: Federal Reserve Bank of New York

Notes: (1) Allegany, Schuyler, Seneca, Yates, Franklin, Tompkins, Hamilton and Lewis Counties are excluded due to small number of cases.
(2) For the statewide and regional values, the number of subprime loans is summed for each county in the region. For all other indicators, the regional (and statewide) values represent averages of the counties in the region.

Appendix A – Detailed Tables for Foreclosure Data

Foreclosures by Region: Downstate Counties

Downstate Counties	Foreclosures								Foreclosure Rates (1 Foreclosure for Every X Housing Units)		
	Second Quarter (April - June)				Third Quarter (July - September)				Third Quarter (July - September)		
	2006	2007	2008	% ch 2006-2008	2006	2007	2008	% ch 2006-2008	2006	2007	2008
Nassau	1,011	892	1,334	32%	1,150	1,162	1,124	-2%	398	394	408
Suffolk	991	916	1,964	98%	831	1,938	1,569	89%	653	280	346
Long Island	**2,002**	**1,808**	**3,298**	**65%**	**1,981**	**3,100**	**2,693**	**36%**	**505**	**323**	**372**
Dutchess	67	81	585	773%	68	115	349	413%	1,640	969	319
Orange	141	113	430	205%	113	166	649	474%	1,177	801	205
Putnam	22	137	166	655%	31	108	136	339%	1,176	337	268
Rockland	195	306	262	34%	152	239	253	66%	638	406	383
Sullivan	11	15	81	636%	13	14	35	169%	3,680	3,417	1,367
Ulster	23	21	122	430%	13	42	116	792%	6,244	1,933	700
Westchester	182	499	851	368%	134	427	822	513%	2,653	833	433
Mid–Hudson	**641**	**1,172**	**2,497**	**290%**	**524**	**1,111**	**2,360**	**350%**	**1,646**	**776**	**365**
Bronx	460	598	677	47%	376	769	621	65%	1,347	658	815
Kings	1,210	1,563	1,981	64%	1,103	1,995	1,495	36%	865	478	638
New York	73	224	234	221%	111	307	175	58%	7,572	2,738	4,803
Queens	665	2,167	2,692	305%	1,136	2,340	2,347	107%	733	356	355
Richmond	419	411	796	90%	392	549	700	79%	452	323	253
NYC	**2,827**	**4,963**	**6,380**	**126%**	**3,118**	**5,960**	**5,338**	**71%**	**1,062**	**556**	**620**
Downstate Total	**5,470**	**7,943**	**12,175**	**123%**	**5,623**	**10,171**	**10,391**	**85%**	**920**	**509**	**498**
New York	**6,767**	**9,913**	**16,025**	**137%**	**7,280**	**12,138**	**14,477**	**99%**	**1,086**	**651**	**546**

Source: RealtyTrac

Note: Within New York State, RealtyTrac does not collect data on all types of foreclosure filings within each county. These differences in coverage may limit the results when comparing on a county-by-county basis and if coverage changes over time, the trends may be affected as well.

Appendix A – Detailed Tables for Foreclosure Data

Foreclosures by Region: Upstate Counties

Upstate Counties	Foreclosures								Foreclosure Rates (1 Foreclosure for Every X Housing Units)		
	Second Quarter (April - June)				Third Quarter (July - September)				Third Quarter (July - September)		
	2006	2007	2008	% ch 2006-2008	2006	2007	2008	% ch 2006-2008	2006	2007	2008
Albany	74	64	562	659%	52	53	262	404%	2,562	2,514	509
Columbia	11	4	5	-55%	2	1	17	750%	15,814	31,628	1,860
Greene	7	5	28	300%	1	36	11	1000%	27,939	776	2,540
Rensselaer	6	49	100	1567%	8	45	71	788%	8,584	1,526	967
Saratoga	6	57	284	4633%	4	85	92	2200%	23,437	1,103	1,019
Schenectady	58	112	101	74%	19	51	124	553%	3,474	1,294	532
Warren	14	10	19	36%	3	4	39	1200%	12,386	9,290	953
Washington	8	8	27	238%	7	5	24	243%	4,036	5,651	1,177
Capital Region	**184**	**309**	**1,126**	**512%**	**96**	**280**	**640**	**567%**	**5,069**	**1,738**	**760**
Cayuga	20	5	19	-5%	5	23	36	620%	7,182	1,561	998
Cortland	0	2	14	--	2	10	5	150%	10,141	2,028	4,056
Madison	7	4	1	-86%	1	5	2	100%	29,376	5,875	14,688
Onondaga	112	113	179	60%	97	61	209	115%	2,077	3,303	964
Oswego	5	13	151	2920%	7	90	66	843%	7,686	598	815
Central NY	**144**	**137**	**364**	**153%**	**112**	**189**	**318**	**184%**	**3,043**	**1,803**	**1,072**
Genesee	9	10	98	989%	11	10	54	391%	2,223	2,445	453
Livingston	12	1	47	292%	2	4	55	2650%	12,479	6,239	454
Monroe	211	998	888	321%	374	568	881	136%	837	551	355
Ontario	13	4	63	385%	3	4	67	2133%	15,008	11,256	672
Orleans	12	5	45	275%	9	20	37	311%	1,946	876	473
Seneca	4	1	3	-25%	2	0	1	-50%	7,417	--	14,834
Wayne	13	8	81	523%	2	20	84	4100%	19,949	1,995	475
Wyoming	6	3	18	200%	5	12	16	220%	3,452	1,438	1,079
Yates	0	2	2	--	1	0	10	900%	12,435	--	1,244
Finger Lakes	**280**	**1,032**	**1,245**	**345%**	**409**	**638**	**1,205**	**195%**	**1,245**	**798**	**423**
Fulton	5	20	15	200%	4	17	10	150%	7,005	1,648	2,802
Hamilton*	--	--	--	--	--	--	--	--	--	--	--
Herkimer	24	4	9	-63%	3	10	10	233%	10,812	3,244	3,244
Montgomery	23	9	11	-52%	4	11	27	575%	5,640	2,051	836
Oneida	75	17	41	-45%	11	25	16	45%	9,394	4,133	6,458
Schoharie	0	0	15	--	0	0	4	--	--	--	4,094
Mohawk Valley	**127**	**50**	**91**	**-28%**	**22**	**63**	**67**	**205%**	**9,589**	**3,349**	**3,149**
Clinton	2	2	15	650%	1	8	24	2300%	34,359	4,295	1,432
Essex	1	2	6	500%	0	4	13	--	--	6,067	1,867
Franklin	2	1	3	50%	0	1	2	--	--	24,397	12,199
Jefferson	28	2	5	-82%	4	10	14	250%	13,718	5,487	3,919
Lewis*	--	--	--	--	--	--	--	--	--	--	--
Saint Lawrence	3	2	17	467%	1	10	22	2100%	50,561	5,056	2,298
North Country	**36**	**11**	**55**	**53%**	**6**	**35**	**75**	**1150%**	**34,074**	**5,841**	**2,726**
Broome	27	24	111	311%	18	50	173	861%	4,938	1,778	514
Chemung	10	9	16	60%	20	5	21	5%	1,902	7,607	1,811
Chenango	2	1	4	100%	1	1	4	300%	24,166	24,166	6,042
Delaware*	--	--	--	--	--	--	--	--	--	--	--
Otsego	0	0	4	--	0	0	1	--	--	--	30,489
Schuyler	5	0	2	-60%	5	1	4	-20%	1,870	9,351	2,338
Steuben	69	1	20	-71%	5	8	11	120%	9,362	5,851	4,255
Tioga	1	5	7	600%	1	2	2	100%	21,676	10,838	10,838
Tompkins	3	0	5	67%	0	12	9	--	--	3,367	4,489
Southern Tier	**118**	**42**	**171**	**45%**	**50**	**80**	**229**	**358%**	**6,587**	**4,117**	**1,438**
Allegany	5	2	16	220%	3	5	5	67%	8,293	4,976	4,976
Cattaraugus	45	0	89	98%	3	21	10	233%	13,453	1,922	4,036
Chautauqua	14	4	13	-7%	9	10	27	200%	7,305	6,574	2,435
Erie	243	168	492	102%	825	354	1229	49%	512	1,194	344
Niagara	101	215	188	86%	122	292	281	130%	800	334	347
Western NY	**408**	**389**	**798**	**96%**	**962**	**682**	**1,552**	**61%**	**677**	**955**	**420**
Upstate Total	**1,297**	**1,970**	**3,850**	**197%**	**1,657**	**1,967**	**4,086**	**147%**	**1,649**	**1,389**	**669**

Source: RealtyTrac

* Forclosure data not available

Appendix A – Detailed Tables for Home Sales and Sale Prices

Real Estate Market Indicators: Existing Single-Family Home Sales and Median Sale Prices

Downstate Regions	Home Sales: First Half					Sale Price: First Half				
	2006	2007	2008	% ch 2006-2007	% ch 2007-2008	2006	2007	2008	% ch 2006-2007	% ch 2007-2008
Nassau	4506	4267	3286	-5.3%	-23.0%	$491,500	$489,000	$460,000	-0.5%	-5.9%
Suffolk	5490	4835	3506	-11.9%	-27.5%	$408,000	$410,000	$385,000	0.5%	-6.1%
Long Island	**9,996**	**9,102**	**6,792**	**-8.9%**	**-25.4%**	**$449,750**	**$449,500**	**$422,500**	**-0.1%**	**-6.0%**
Dutchess	1265	1145	953	-9.5%	-16.8%	$350,000	$340,000	$320,000	-2.9%	-5.9%
Orange	1397	1273	882	-8.9%	-30.7%	$319,000	$316,500	$301,000	-0.8%	-4.9%
Putnam	418	357	275	-14.6%	-23.0%	$409,000	$400,000	$390,000	-2.2%	-2.5%
Rockland	742	720	488	-3.0%	-32.2%	$500,000	$490,000	$455,000	-2.0%	-7.1%
Sullivan	324	223	127	-31.2%	-43.0%	$165,000	$180,000	$144,000	9.1%	-20.0%
Ulster	591	622	431	5.2%	-30.7%	$245,000	$255,000	$245,000	4.1%	-3.9%
Westchester	2355	2413	1727	2.5%	-28.4%	$675,000	$675,000	$650,000	0.0%	-3.7%
Mid–Hudson	**7,092**	**6,753**	**4,883**	**-4.8%**	**-27.7%**	**$350,000**	**$340,000**	**$320,000**	**-2.9%**	**-5.9%**
Kings	554	509	347	-8.1%	-31.8%	$550,000	$570,000	$555,000	3.6%	-2.6%
Queens	2982	2688	1787	-9.9%	-33.5%	$568,250	$580,000	$550,000	2.1%	-5.2%
Richmond	1233	1133	866	-8.1%	-23.6%	$423,000	$417,000	$410,000	-1.4%	-1.7%
New York City	**4,769**	**4,330**	**3,000**	**-9.2%**	**-30.7%**	**$550,000**	**$570,000**	**$550,000**	**3.6%**	**-3.5%**
Downstate Regions	**21,857**	**20,185**	**14,675**	**-7.6%**	**-27.3%**	**$416,000**	**$413,500**	**$400,000**	**-0.6%**	**-3.3%**
New York State Total	**46,546**	**43,441**	**35,059**	**-6.7%**	**-19.3%**	**$252,000**	**$250,000**	**$215,000**	**-0.8%**	**-14.0%**

Source: New York State Association of REALTORS. Data unavailable for Bronx, Manhattan, Franklin and Hamilton Counties.
Note: For regional calculations, the number of sales are summed and sales prices are median values for the region.

Appendix A – Detailed Tables for Home Sales and Sale Prices

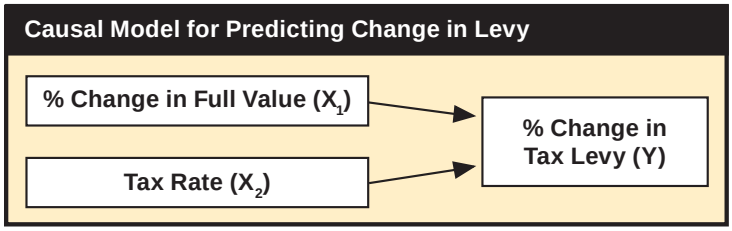
Real Estate Market Indicators: Existing Single-Family Home Sales and Median Sale Prices

Upstate Counties	Home Sales: First Half					Sale Price: First Half				
	2006	2007	2008	% ch 2006-2007	% ch 2007-2008	2006	2007	2008	% ch 2006-2007	% ch 2007-2008
Albany	1020	1064	850	4.3%	-20.1%	$190,000	$193,000	$204,250	1.6%	5.8%
Columbia	239	262	205	9.6%	-21.8%	$240,000	$248,000	$240,000	3.3%	-3.2%
Greene	171	104	117	-39.2%	12.5%	$175,000	$160,000	$180,000	-8.6%	12.5%
Rensselaer	554	515	520	-7.0%	1.0%	$168,843	$180,000	$174,989	6.6%	-2.8%
Saratoga	1288	1140	1059	-11.5%	-7.1%	$249,524	$224,450	$242,000	-10.0%	7.8%
Schenectady	707	631	502	-10.7%	-20.4%	$156,000	$174,900	$159,000	12.1%	-9.1%
Warren	350	317	279	-9.4%	-12.0%	$185,450	$205,900	$191,000	11.0%	-7.2%
Washington	177	148	118	-16.4%	-20.3%	$106,000	$117,000	$117,338	10.4%	0.3%
Capital Region	**4,506**	**4,181**	**3,650**	**-7.2%**	**-12.7%**	**$180,225**	**$186,500**	**$185,500**	**3.5%**	**-0.5%**
Cayuga	291	246	196	-15.5%	-20.3%	$85,000	$94,500	$92,100	11.2%	-2.5%
Cortland	155	168	117	8.4%	-30.4%	$89,000	$97,950	$105,000	10.1%	7.2%
Madison	283	263	224	-7.1%	-14.8%	$125,000	$124,000	$128,000	-0.8%	3.2%
Onondaga	2153	2065	1877	-4.1%	-9.1%	$123,000	$123,500	$125,000	0.4%	1.2%
Oswego	417	395	364	-5.3%	-7.8%	$78,000	$80,000	$86,200	2.6%	7.8%
Central NY	**3,299**	**3,137**	**2,778**	**-4.9%**	**-11.4%**	**$89,000**	**$97,950**	**$105,000**	**10.1%**	**7.2%**
Genesee	298	281	245	-5.7%	-12.8%	$93,200	$87,500	$86,000	-6.1%	-1.7%
Livingston	256	229	233	-10.5%	1.7%	$115,000	$119,000	$112,000	3.5%	-5.9%
Monroe	4302	3864	3126	-10.2%	-19.1%	$115,000	$119,900	$117,950	4.3%	-1.6%
Ontario	510	463	437	-9.2%	-5.6%	$123,750	$130,900	$129,900	5.8%	-0.8%
Orleans	240	248	215	3.3%	-13.3%	$69,200	$75,000	$67,500	8.4%	-10.0%
Seneca	136	168	160	23.5%	-4.8%	$97,675	$84,950	$84,950	-13.0%	0.0%
Wayne	445	471	346	5.8%	-26.5%	$100,000	$104,900	$107,000	4.9%	2.0%
Wyoming	143	122	152	-14.7%	24.6%	$79,900	$82,575	$71,450	3.3%	-13.5%
Yates	111	89	119	-19.8%	33.7%	$112,000	$140,000	$102,000	25.0%	-27.1%
Finger Lakes	**6,441**	**5,935**	**5,033**	**-7.9%**	**-15.2%**	**$100,000**	**$104,900**	**$102,000**	**4.9%**	**-2.8%**
Fulton	158	148	101	-6.3%	-31.8%	$87,100	$83,740	$90,000	-3.9%	7.5%
Herkimer	120	88	87	-26.7%	-1.1%	$84,000	$83,500	$84,800	-0.6%	1.6%
Montgomery	121	125	107	3.3%	-14.4%	$86,000	$120,000	$95,300	39.5%	-20.6%
Oneida	723	670	627	-7.3%	-6.4%	$90,722	$105,000	$95,700	15.7%	-8.9%
Schoharie	101	98	87	-3.0%	-11.2%	$133,900	$149,200	$130,000	11.4%	-12.9%
Mohawk Valley	**1,223**	**1,129**	**1,009**	**-7.7%**	**-10.6%**	**$87,100**	**$105,000**	**$95,300**	**20.6%**	**-9.2%**
Clinton	297	245	235	-17.5%	-4.1%	$118,000	$122,500	$140,000	3.8%	14.3%
Essex	219	146	105	-33.3%	-28.1%	$205,000	$165,000	$159,500	-19.5%	-3.3%
Jefferson	454	495	459	9.0%	-7.3%	$113,250	$120,000	$129,000	6.0%	7.5%
Lewis	61	52	75	-14.8%	44.2%	$82,500	$95,750	$94,000	16.1%	-1.8%
Saint Lawrence	324	333	280	2.8%	-15.9%	$72,251	$73,900	$82,250	2.3%	11.3%
North Country	**1,355**	**1,271**	**1,154**	**-6.2%**	**-9.2%**	**$113,250**	**$120,000**	**$129,000**	**6.0%**	**7.5%**
Broome	838	728	615	-13.1%	-15.5%	$90,000	$104,450	$112,000	16.1%	7.2%
Chemung	392	363	271	-7.4%	-25.3%	$81,450	$73,000	$77,000	-10.4%	5.5%
Chenango	216	186	160	-13.9%	-14.0%	$85,000	$92,500	$93,373	8.8%	0.9%
Delaware	66	70	65	6.1%	-7.1%	$109,540	$110,000	$110,000	0.4%	0.0%
Otsego	163	164	130	0.6%	-20.7%	$124,500	$123,202	$129,850	-1.0%	5.4%
Schuyler	77	60	40	22.1%	-33.3%	$129,900	$107,000	$109,500	-17.6%	2.3%
Steuben	442	407	368	-7.9%	-9.6%	$70,000	$83,740	$79,900	19.6%	-4.6%
Tioga	176	150	118	-14.8%	-21.3%	$94,323	$130,000	$138,430	37.8%	6.5%
Tompkins	346	338	301	-2.3%	-10.9%	$168,950	$192,000	$180,000	13.6%	-6.3%
Southern Tier	**2,716**	**2,466**	**2,068**	**-9.2%**	**-16.1%**	**$94,323**	**$107,000**	**$110,000**	**13.4%**	**2.8%**
Allegany	181	205	149	13.3%	-27.3%	$59,000	$56,000	$55,000	-5.1%	-1.8%
Cattaraugus	322	312	257	-3.1%	-17.6%	$69,950	$63,800	$69,900	-8.8%	9.6%
Chautauqua	461	423	382	-8.2%	-9.7%	$69,000	$68,000	$71,250	-1.4%	4.8%
Erie	3326	3279	3107	-1.4%	-5.2%	$106,000	$106,296	$110,200	0.3%	3.7%
Niagara	859	918	797	6.9%	-13.2%	$80,000	$80,000	$90,000	0.0%	12.5%
Western NY	**5,149**	**5,137**	**4,692**	**-0.2%**	**-8.7%**	**$69,950**	**$68,000**	**$71,250**	**-2.8%**	**4.8%**
Upstate Total	**24,689**	**23,256**	**20,384**	**-5.8%**	**-12.3%**	**$103,000**	**$108,500**	**$109,750**	**5.3%**	**1.2%**

Source: New York State Association of REALTORS. Data unavailable for Bronx, Manhattan, Franklin and Hamilton Counties.
Note: For regional calculations, the number of sales are summed and sales prices are median values for the region.

Appendix B - Regression Method

The historic relationship between full value changes and levy changes was used to estimate the change in levy that would be associated with a 5 percent reduction in property value. For the analysis, a regression model was used to predict what the percent change in levy would be, using the historical analysis of levy, full value and tax rates. A separate regression model was used for each class of government, and the resulting estimate was then compared to what the levy would be if it had grown at the historical average.



The unit of analysis (cases in the dataset) was the year-over-year change in each variable including data from 1980 to 2008. Therefore, n=28, and the change in levy for 2008 to 2009 was predicted based on 27 prior periods of behavior.

Calculation Example: School District Model

The output of the regression model is a linear equation.

$$y = a + b_1x1 + b_2x2$$

This is the equation for the line of best fit which can then be used for prediction purposes. In this general equation, a is the y-intercept, b_1 and b_2 are the unstandardized coefficients (which gives the line of best fit its slope), and x_1 and x_2 are the values of the independent variables that will be used to predict the percent change in levy.

The specific output for the school district regression model was as follows.

Predicted levy % change = .011 + .175 * %ChFV + .002* Tax Rate

To use the equation to estimate the 2008-09 levy change, the percent change in full value was set at -5 percent and the tax rate was set at the 2008 level. The final equation was as follows:

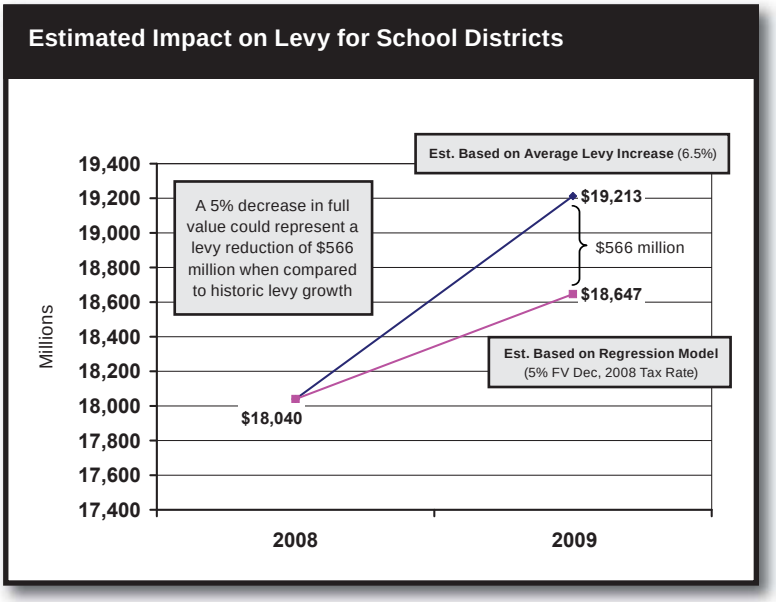
Predicted levy % change = .011 + .175* -.05 + .002*13.79

Therefore,

Predicted levy % change = .034 = 3.4%

The 2009 levy was then computed using the 3.4 percent predicted increase and compared to the 2009 estimated levy based on historic levy growth (6.5 percent). We then computed the difference between a 3.4 percent increase (based on regression) and the 6.5 percent increase (based on historic growth).

This method recognizes that even when property values decline, or grow more slowly, levy amounts still tend to increase; However, the amount of the increase is expected to be less.



Endnotes

[1] Center for Responsible Lending, *Yield Spread Premiums: A Powerful Incentive for Equity Theft.* Issue Brief No. 11, June 2004.

[2] Estimated based on total owner–occupied subprime loans as a percentage of owner–occupied mortgage housing units (ACS 2007).

[3] RealtyTrac, Inc. *Housing Foreclosure Report,* October 2008.

[4] Property tax revenue is the largest source of revenue for cities, towns, villages, fire districts and school districts. For counties, sales tax now exceeds property tax as the largest revenue source. In 2007, property tax revenue represented 23 percent of total revenue in counties, 25 percent in cities, 45 percent in villages, 51 percent in towns, 52 percent in school districts (including New York City) and 89 percent of revenues for fire districts.

[5] Tax Foundation, *New Census Data on Property Taxes on Homeowners.* September 2008. Includes data from counties with populations greater than 65,000 from U.S. Census Bureau.

[6] New York City and Nassau County operate four-class property tax systems that would also impact this analysis.

[7] A detailed description of the statistical model used for prediction can be found in Appendix B of this report.

[8] Cities: Buffalo, Dunkirk, Gloversville, Jamestown, Lackawanna and Niagara Falls. County: Montgomery. Villages: Ellenville, Hempstead, Herkimer, Lyons, Malone, Monticello, Potsdam and Whitehall.

[9] Some counties also enforce delinquent city and village taxes.

[10] Mortgage recording taxes are collected by the State and distributed to municipalities as State aid.

[11] Maniace, Len. *Mayor: Budget Shortfall could spell 200-300 layoffs.* The Journal News. November 13, 2008.

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