Property Tax Reduction

Shea & Gould has successfully tried New York City’s first property tax reduction case in more than 10 years, with the former owners of One New York Plaza, to receive in excess of $20 million in refunds on $65 million in taxes it paid the City from 1984 through 1989.

The case presents significant implications for the New York City real estate market, in that it was the first time a building owner has proven that the presence of asbestos devalues a structure as it relates to property tax matters.

One New York Plaza is a 50-floor, 2.5 million square foot office tower at Broad Street at South Ferry. Chase Manhattan Bank, Salomon Brothers and Oppenheimer & Co. were the chief tenants during the years under review. Shea & Gould attorneys argued the case on behalf of Sandra Bass and John P. McGrath, the owners of the building until 1989, at which time it was sold to Chase.

The former owners maintained that the City’s tax valuation, which ranged from $145 million to $170 million each year during those in question, was unfair because it did not factor in the presence of asbestos, certain lease terms and how to treat contract rents.

What has made tax reduction cases difficult to try, according to Shea & Gould Partner Adam Gilbert and Associate Jeff Wald, who headed the law firm’s litigation team, was the ability to get the City to stipulate to an equalization ratio. The ratio allowed the court to compare One New York Plaza’s valuation against other properties in the New York market.

The last tax reduction trial recorded in New York City was in 1980 involving the owners of 425 Park Avenue. The building owners eventually settled with the City and did not carry the case to decision.

“This decision represents a victory for all building owners who are feeling the effects of a sluggish real estate market and environmental issues as they relate to their properties,” said Gilbert. “The City must be prepared to assess real property fairly if it wants to sustain the real estate business in this town.”

Shea & Gould is one of New York city’s leading law firms, with 232 attorneys practicing at its New York City headquarters.