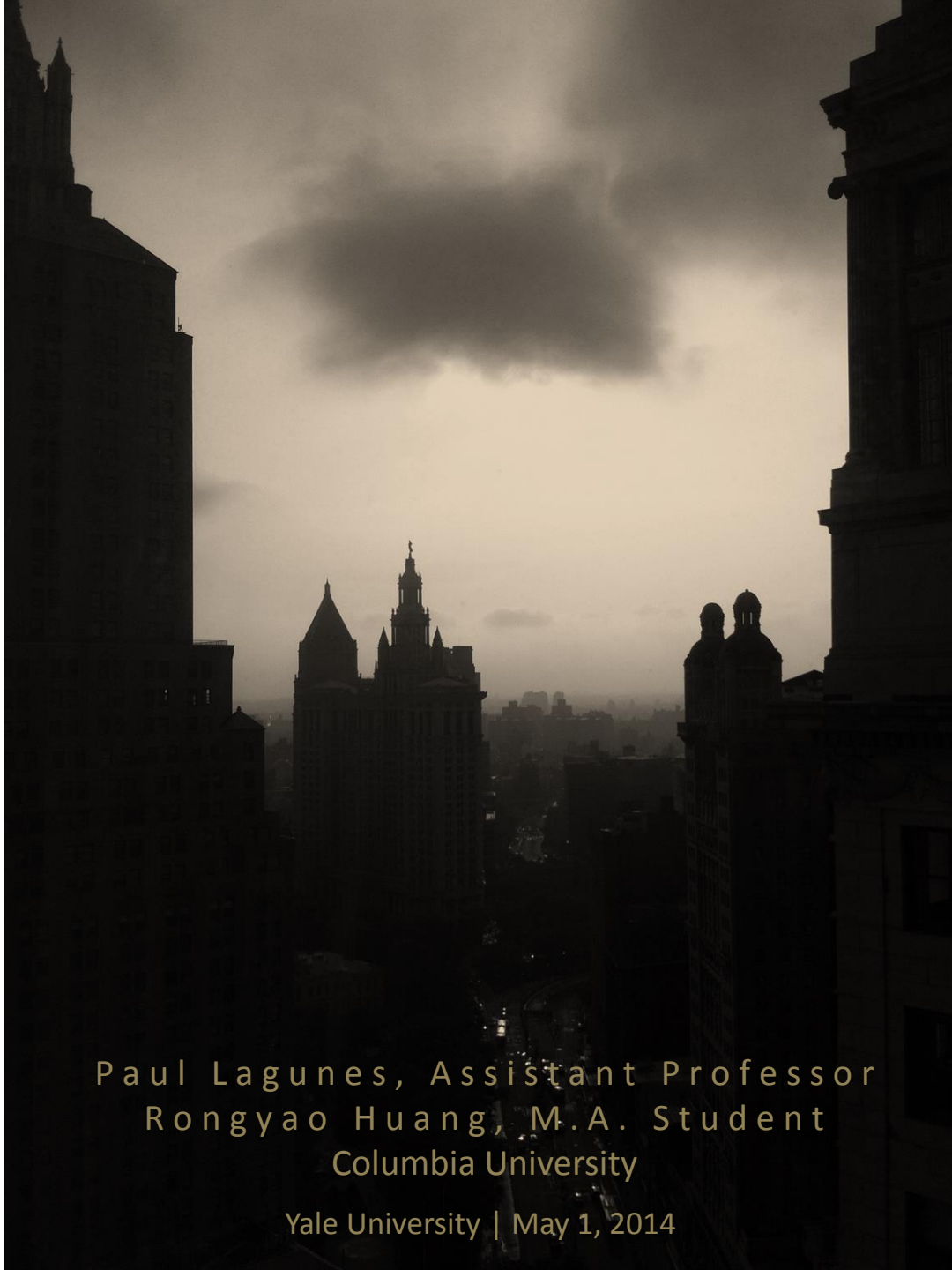


Saving Gotham

Fighting Corruption in New York City's Property Tax System

Paul Lagunes, Assistant Professor
Rongyao Huang, M.A. Student
Columbia University

Yale University | May 1, 2014



Theft of the City

- Greatest case of municipal fraud
- The scam:
 - Bureaucratic lobbying for illegitimate tax breaks
- The loss:
 - \$40 million a year
 - Unfunded public services

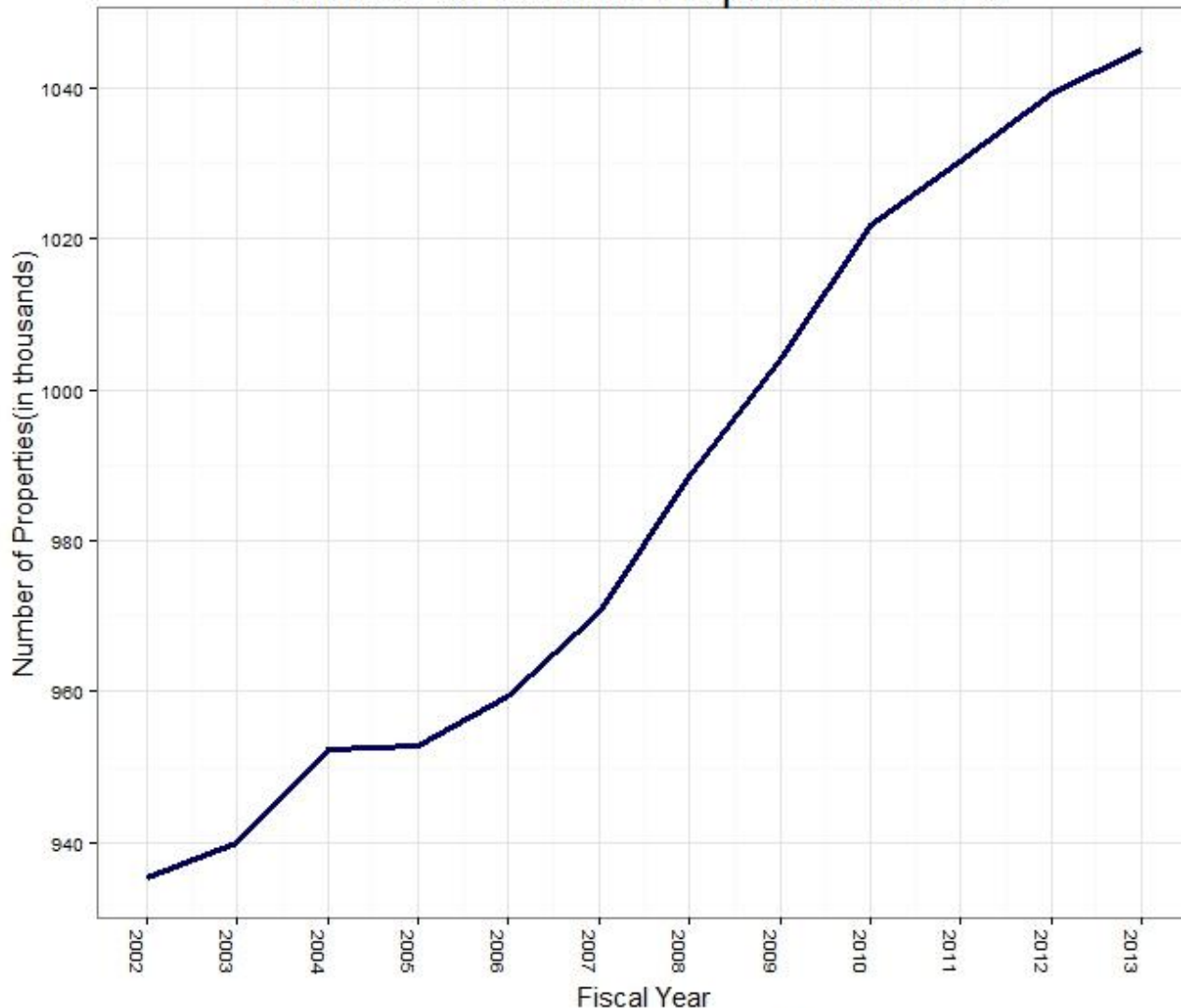
The Property Tax



- The property tax is the city's single largest and most stable source of revenue.

The Property Tax

Number of Taxable Properties in NYC*



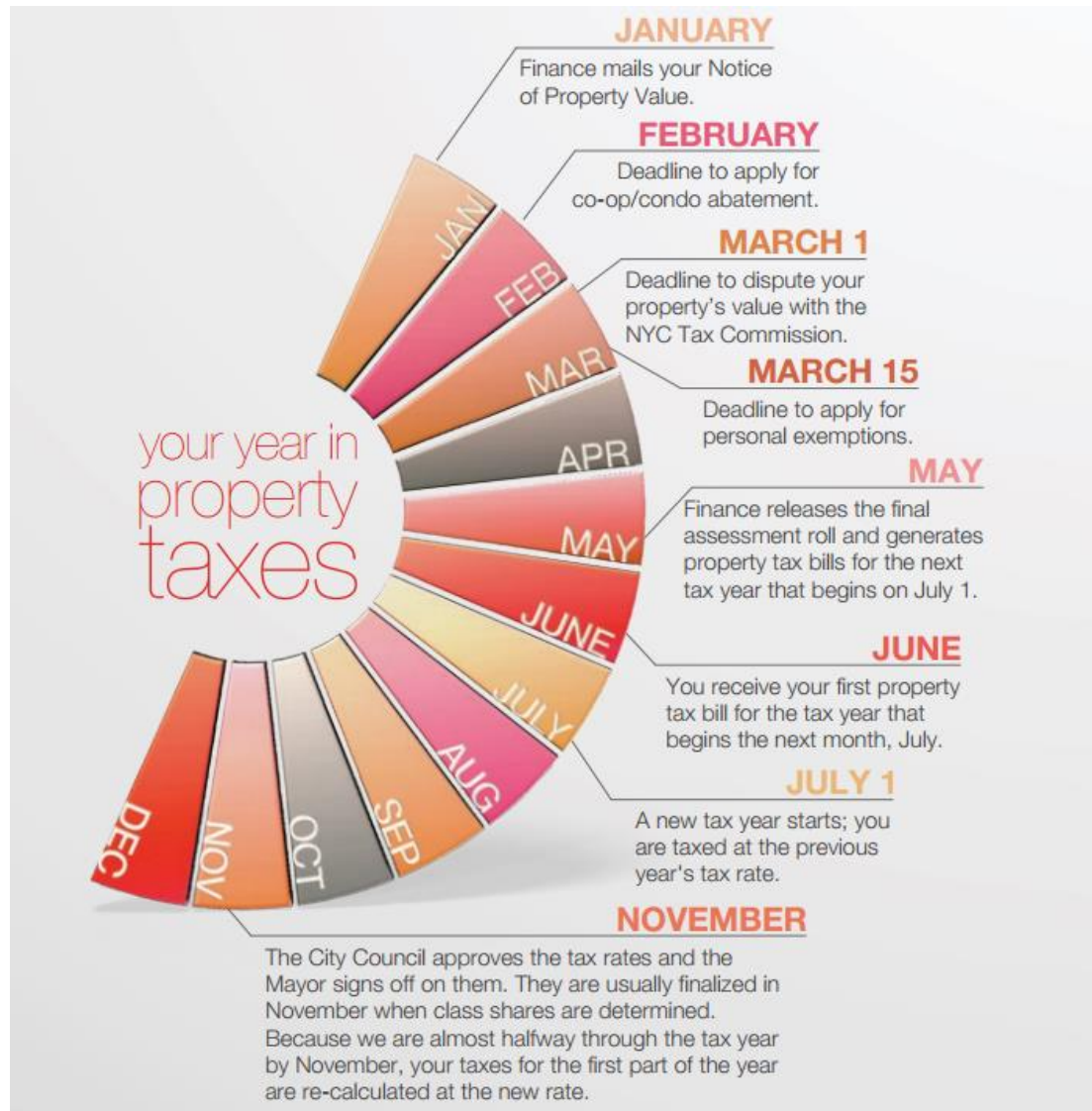
* The graph includes partially taxable and fully taxable properties. It excludes fully exempt properties.

- DOF is responsible for collecting taxes on a rapidly growing number of properties in New York City.

Property Tax Assessors

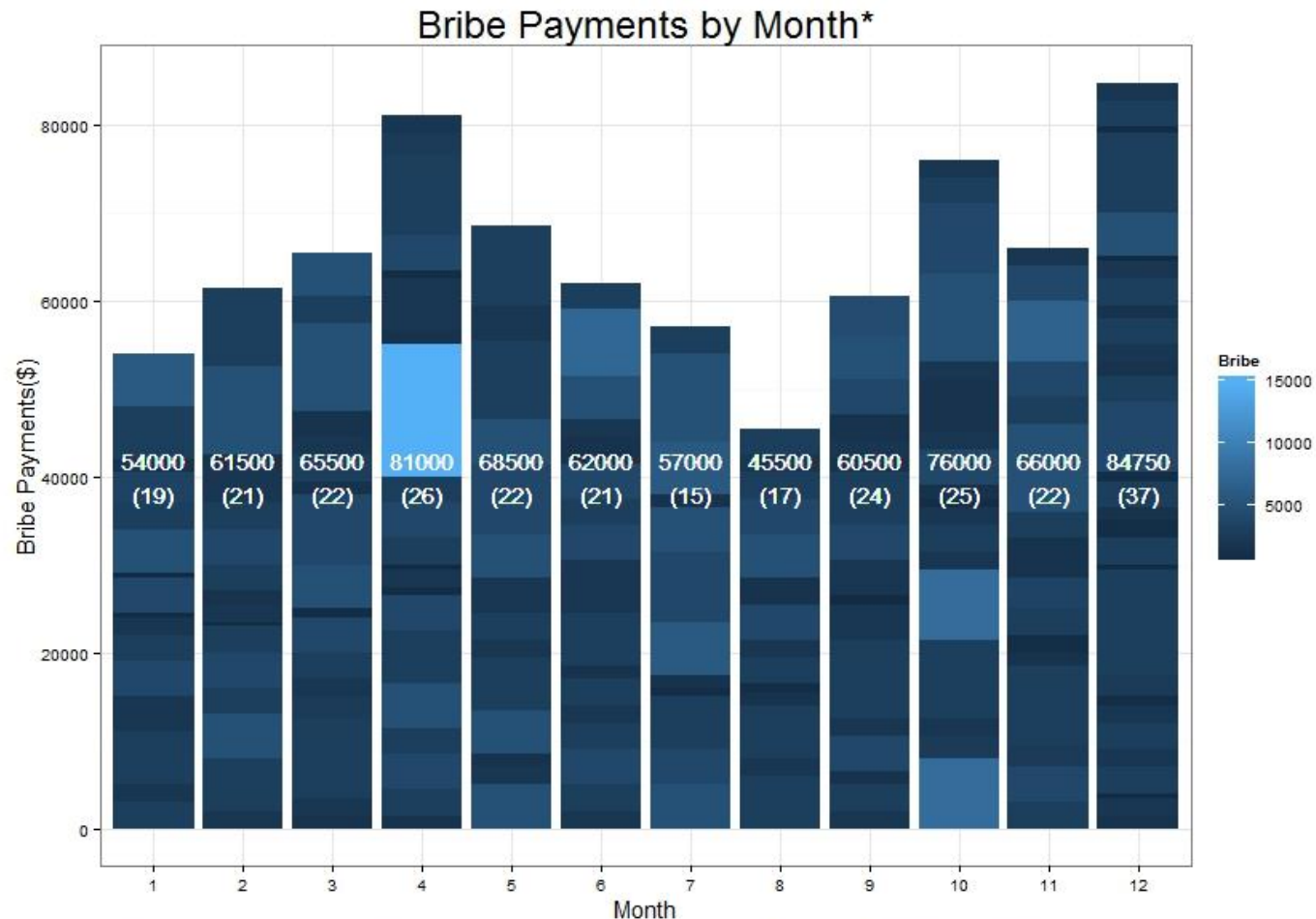
- DOF's 119 property tax assessors
- Limited supervision & legalese
- “The most corrupt of urban functions” (Paul 1975).
- Examples beyond NY:
 - Los Angeles, CA
 - Providence, RA
 - Cayahoga County, OH
 - Cook County, IL.

Property Tax Assessors



Source: Class 1 and Class 2 property tax guides, NYC Department of Finance

Property Tax Assessors



* The first number represents the total amount of bribes paid; the second number in parenthesis represents the number of bribe payments.

- Corruption presents a particular risk in December and April, right before the publication of the tentative and final tax rolls.

Property Tax Assessors

- Tax consultants:
 - Their pay
 - Questionable methods
 - Bureaucratic lobbyists



Bureaucrat & Sewing Machine, Salvador Dalí

The Scandal

- Enter Albert Schussler

"All the News
That's Fit to Print"

The New York Times

Late Edition
New York: Today, mild and breezy,
high 60. Tonight, showers, low 41. To-
morrow, brightening skies, windy and
colder, high 45. Yesterday, high 52,
low 38. Weather map is on Page D8.

VOL. CLI . . . No. 52,041

Copyright © 2002 The New York Times

NEW YORK, TUESDAY, FEBRUARY 26, 2002

\$1 beyond the greater New York metropolitan area.

75 CENTS

18 City Tax Assessors Indicted In Decades-Long Bribe Scheme

New York Lost Hundreds of Millions, F.B.I. Says

By CHARLES V. BAGLI and WILLIAM K. RASHBAUM

Eighteen current and former New York City tax assessors were indicted yesterday in a scheme that lasted decades in which they took millions of dollars in bribes to cut property taxes for the owners of office towers, residential buildings and warehouses, federal prosecutors said.

The assessors, including 15 of the 38 working in Manhattan, were charged by the United States attorney's office in Manhattan with racketeering, bribery and fraud for taking what the indictment says was more than \$10 million to alter assessments on more than 500 buildings in the last 35 years.

As a result of the fraud, the authorities said, the city lost \$160 million in tax revenue during the last four years alone. But during the life of the scheme, the Federal Bureau of Investigation said there were perhaps tens of millions in bribes and hundreds of millions in lost revenue.

According to the authorities, taxes were reduced illegally at several of the city's best-known skyscrapers: 9 West 57th Street, a 50-story tower that commands some of the highest rents in the city; the Crown Building at Fifth Avenue and 57th Street; the 51-story tower at 277 Park Avenue; the Parker Meridian Hotel, on West 56th Street; and the Hampshire House on Central Park South.

ed from the scheme would be indicted. But he did say that the investigation, which the F.B.I. called Operation Knockdown, was continuing.

The assessors, Mr. Comey said, "committed a breathtaking betrayal of the public trust."

"In doing so," Mr. Comey continued, "they undermined a bedrock of the city's finances, and that is a fair and honest tax assessment system."

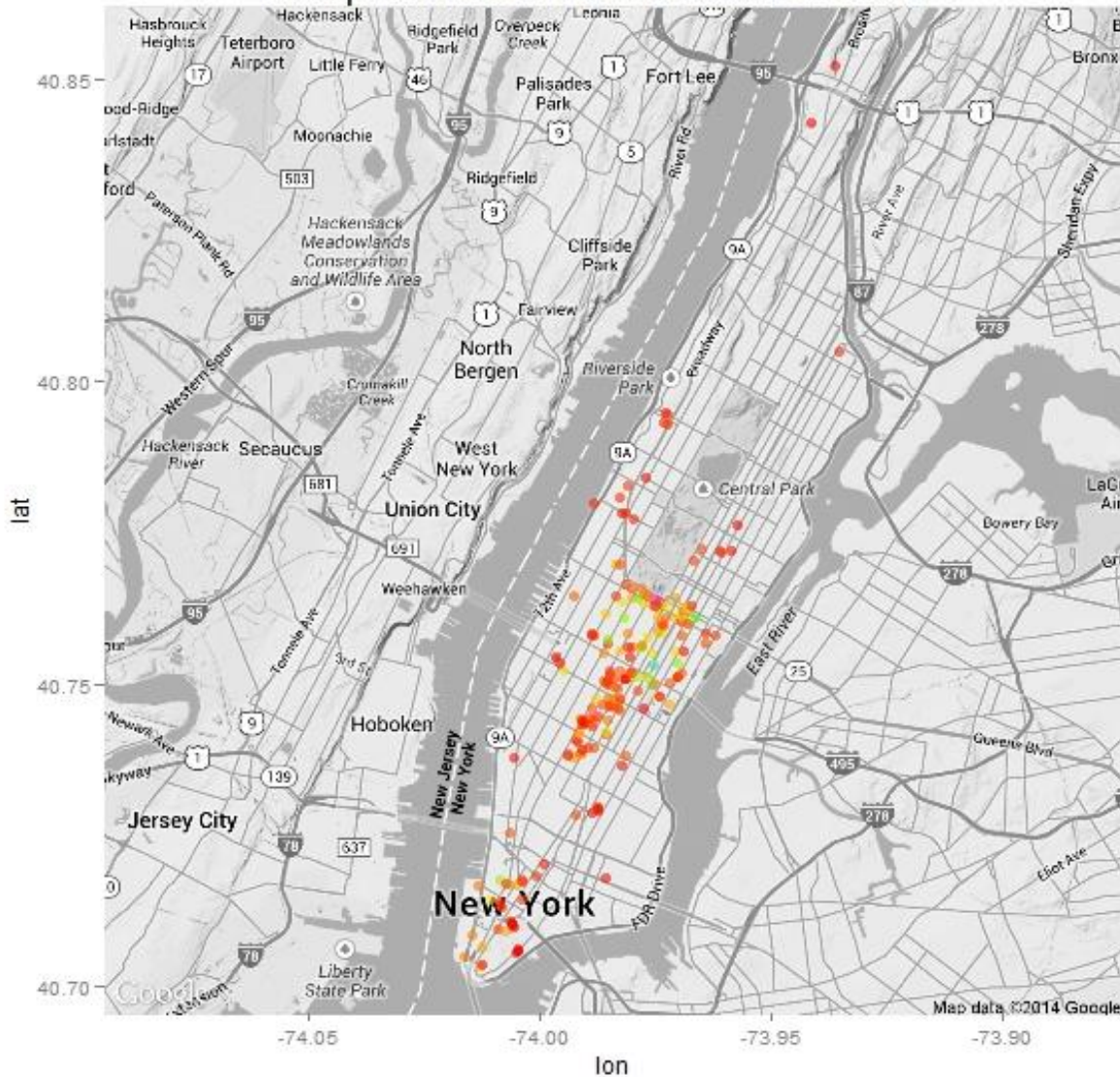
Put at the center of the scheme was Albert Schussler, an 85-year-old tax consultant for many prominent Manhattan landlords who had a reputation for being especially effective at persuading assessors to reduce the value of buildings and therefore the owner's tax bill. Mr. Schussler, who was an active figure at the Real Estate Board of New York and an owner of the landmark Ansonia Hotel, has been bribing assessors on behalf of himself and other owners ever since he ended his own 30-year career at the tax assessor's office in 1967, according to the indictment.

Mr. Schussler offered bribes ranging from expensive dinners to thousands of dollars for each building assessment, the indictment said. The Finance Department reassesses the value of the city's 960,000 properties for tax purposes every year. According to Barry W. Mawn, the assistant director in charge of the F.B.I.'s New



The Scandal

Properties Involved in the 2002 Scandal*



- Lower Manhattan
- Upper East Side
- Harlem
- Between West 41st Street and West 96th Street
- West of Eighth Avenue
- Central Park West

* The map includes 198 properties with their values assessed Fiscal Year 2009.

The Scandal

- The bribes
- The back and forth
- The results

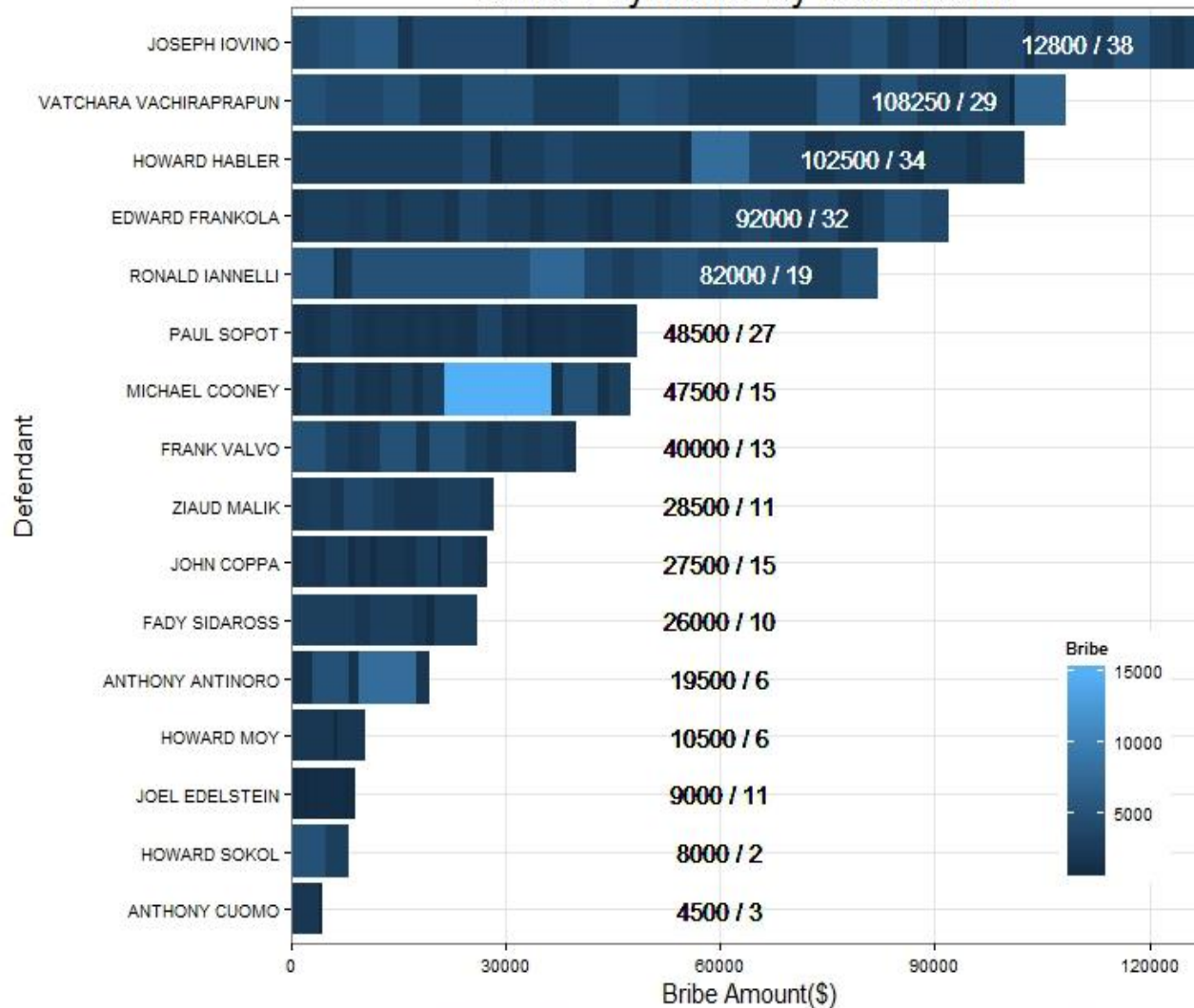


Gregory P. Mango

Frank J. Valvo, a former New York City tax assessor, was arrested yesterday on federal charges of racketeering, mail fraud and bribery.

Schussler's Gang

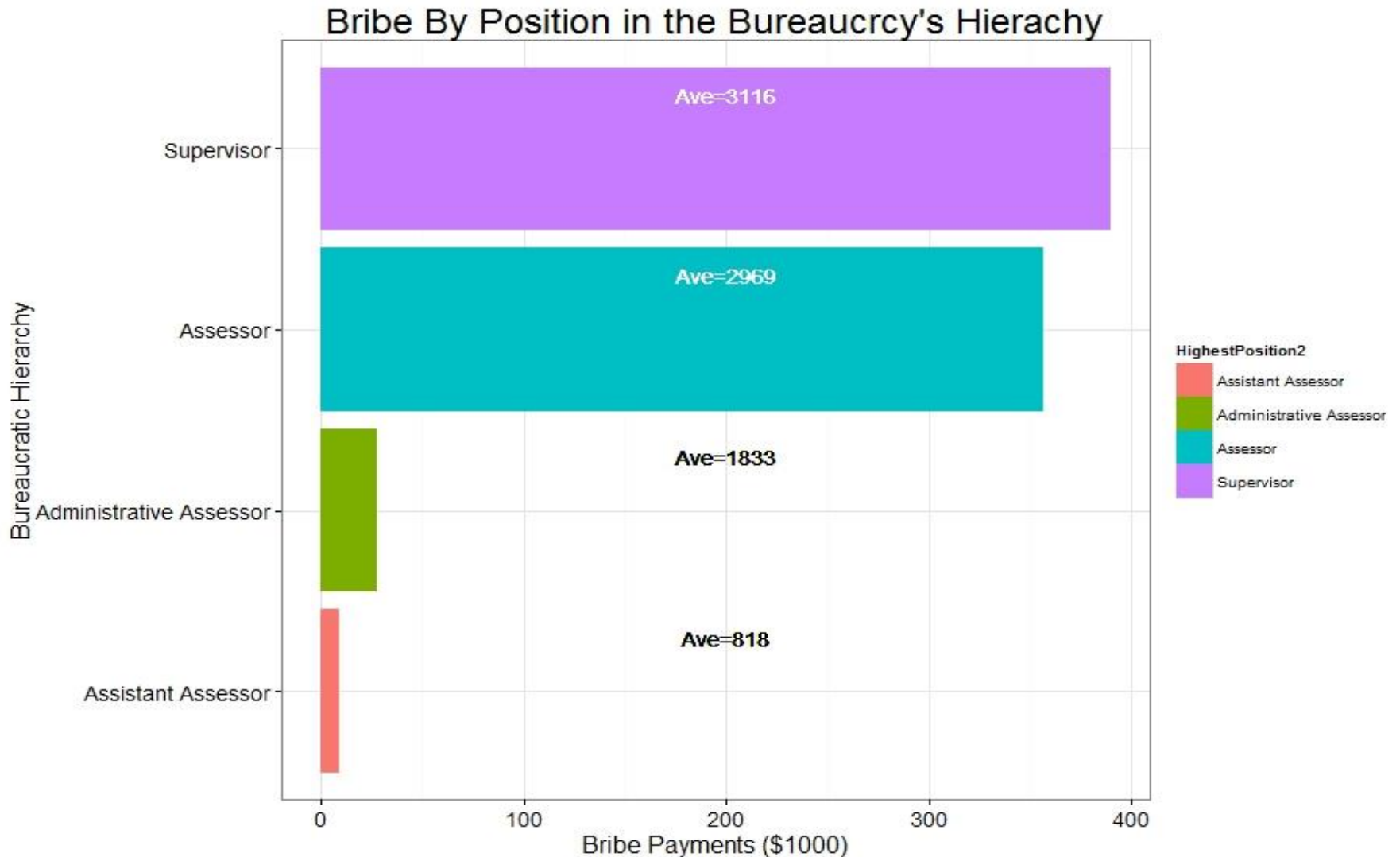
Bribe Payments by Defendant*



- Joseph Iovino
- Vatchara Vachiraprapun
- Howard Habler

* The first number represents the total amount of bribes paid; the second number represents the number of bribe payments.

Schussler's Gang



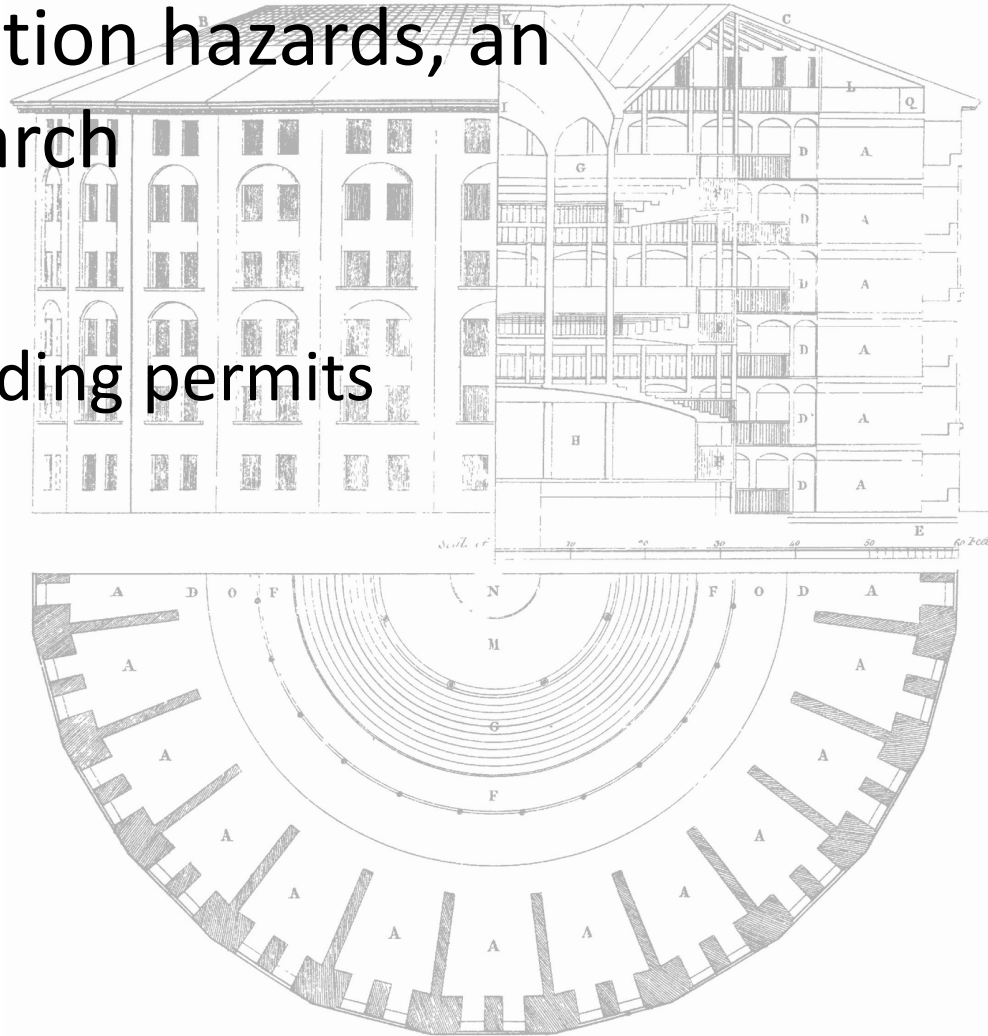
- The higher the position, the greater the bribes.

Beyond the Scandal

- Schussler's death
- 20 prosecuted:
 - Joseph Marino
 - Alan Edelstein
 - Nancy Sidaross
 - Stephen E. McArdle
- Recovered funds
- Latent risk

A Worthy Collaboration

- Persistence of corruption hazards, an opportunity for research
- A previous RCT:
 - Official review of building permits
 - Random assignment
 - Study's contribution



A Worthy Collaboration

- Three research questions:
 1. Does monitoring help ensure that property assessments are conducted with integrity?
 2. What forms of monitoring are most effective?
 3. Which is more effective between proactive and reactive monitoring in ensuring that property assessments are performed in an honest manner?

Thank you...and stay tuned!

A Previous Scandal

- Before Schussler there was Tooke

