MINUTES OF SPECIAL MEETING OF BOARD OF TRUSTEES OF VILLAGE OF BRONXVILLE HELD ON NOVEMBER 27, 2006 AT THE BRONXVILLE LIBRARY, 201 PONDFIELD ROAD, BRONXVILLE, N.Y.

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PRESENT:	Mary C. Marvin	Mayor
	Glenn D. Bellitto Robert S. Underhill Anne W. Poorman William H. Barton, Jr.	Trustees
ALSO PRESENT:	Harold Porr III	Village Administrator

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On motion of Trustee Bellitto, seconded by Trustee Underhill, and unanimously carried the meeting was opened at 7:00 p.m.

The meeting began with the Pledge of Allegiance.

Mayor Marvin stated that after two public hearings and many discussions on this issue, she and the Trustees and will give their comments, which will be the record for the evening, and vote tonight on the option to adopt or not adopt the Homestead provision in conjunction with our full revaluation effort. She said we also have one additional item on the agenda that is time sensitive, a motion to approve free parking in the Village December 9th and 16th.

Mayor Marvin said we are fully prepared to make our decision based on our extensive review of data, our policy options, discussion with many experts in the tax and assessing fields, listening to and/or reading every letter, e-mail, phone message and comment received. She said she knows she can speak for her colleagues in saying this is the most difficult decision we as a board have faced and it brings home the reason why so many other municipalities have not embarked on revaluation.

The Mayor said we know many of those here or listening at home will be disappointed or upset with the outcome, others will be pleased, but this is not about one group or another but about the Village as a whole. She said we have all given this decision the utmost of thought, weighed all the competing interests and came to our individual decisions using what we all believe is in the best interest of the Village as our guide. She said, please remember that in all our valuations the most important asset we have in this Village is our sense of community and the dignity and respect we share for the opinions of all our neighbors.

RESOLUTION – Approving Free Parking for December 9th and 16th, 2006

On motion of Trustee Bellitto, seconded by Trustee Barton, and unanimously carried the Board of Trustees adopted the following resolution:

> BE IT RESOLVED the Board of Trustees approves free parking in the Kraft Avenue and Garden Avenue parking lots and on Paxton Avenue for both Saturday, December 9, 2006 and Saturday, December 16, 2006.

VOTE ON PROPOSED LOCAL LAW – Concerning Homestead Base Proportions

Mayor Marvin began the discussion by explaining that the Board had before it a proposed Local Law to adopt the provisions of Real Property Tax Law, Section 1903, concerning homestead proportions (copy of the proposed law is annexed to official minutes.)

Trustee Barton offered a motion, seconded by Trustee Underhill, to enact the proposed Local Law to adopt the provisions of Real Property Tax Law, Section 1903, concerning homestead base proportions.

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Before taking a vote the Mayor and Trustees gave their comments.

Deputy Mayor Bellitto – "The vote that we take **tonight** will bring us one **major step** closer to the completion of the **tax reassessment process**, a goal that we have all been **working toward** since the **first half of 2005.**

At our **Trustee meeting** on **Monday, November 13th**, I spoke at considerable length about my views on **community-building**, and their **incompatibility** with the **Homestead Option.**

Tonight I want to speak about the **financial risks** and **potential costs** of **Homestead.**

One of the **major risks** is the risk of **successful tax certioraris** in the **commercial sector**. With Homestead, the tax money refunded in any successful certiorari would have to be replaced **generally** by **higher taxes** in the other properties in the particular tax pool, either residential or commercial. **Most successful certioraris** traditionally have come from the commercial sector. So, a successful certiorari in the **commercial sector** would have to be made by the **other retail stores** and the **co-ops**. I think that the **financial risk** to the **retail stores** is just **too great**. Successful tax certioraris could be devastating to leaseholders. So many **shopkeepers** have **pass-through** property tax clauses in their leases. I think that the **risk of successful certioraris** needs to be **shared** by the **entire Village tax base**.

Next, the **financial data** that we have about the **intra-party effects** of Homestead in the **commercial sector is spotty** and, what little we have, is somewhat **contradictory**. In his impact study of last year, **Dr. Eckert** stated that without Homestead, non-coop commercial taxes could go **up 26%** and, with Homestead, could go up about **50%**, although there was **scant data** for him to use. At last week's tax meeting here, assessment consultant Gerry Iagallo stated that non-coop commercial taxes could go up **between 5% and 50%**. On the flip side, I saw this weekend some financial analysis that indicated that maybe non-coop commercial taxes would go up only around 5% with Homestead. But all of this financial data has not been reviewed by the **New York State Office of Real Property Services**, so **who knows**? Even if the numbers were vetted by ORPS, the other risk that is **murky, at best**, is the **financial sensitivity risk**. What if the **capitalization rate for co-ops of 6.25% is off?** How would a **change in that capitalization rate** to various rate levels **affect taxes** in the commercial sector? **I just don't know**. So, I think that we need to be **conservative**. I'm just **not willing** to **roll the tax dice** in the non-coop commercial sector, with **merchants' livelihoods** at stake.

There has been considerable support for **invoking Homestead**. But I hearken back to one of the **main reasons** that there was such **support** for a **Village-wide revaluation**. That was the approximately **600 capital improvements** that had been made to properties but had **no tax adjustments upward** for about 8 years. To vote **for** Homestead for **2007** would be to vote for the **continued unfair tax distribution** at **77%** residential to **23%** commercial/co-op, where it is today. By invoking Homestead, the **non-coop commercials** and **co-op residents** would see **no financial benefit** whatsoever from the **enlarging** of the **tax base** that finally counting those **600 property improvements** on our tax roll would have. For the **commercial/co-op sector, Homestead** would be **freezing** that **unfairness.** This **unfairness** would be **especially acute** for the **non-coop commercials**, which almost certainly should **rightly** be paying property taxes by the currently-used **capitalized income approach.**

I also think that the **9.3%** average **increase** in **property taxes** that single-family homeowners are projected to pay **without Homestead** is **very misleading. Without Homestead, fully 2/3** of single family homeowners will see either **no appreciable increases** at all in property tax or actual **decreases** in taxes. Very roughly, about **1/3** single family home taxes will actually go **down**, and approximately **1/3** of single family home taxes will either **stay the same** or **increase or decrease by less than 10%. Only** about **1/3** of single-family homeowners will see an **increase** of over 10% in taxes. Further, I think that it is **reasonable** to guess that within the 1/3 of single family homes that will see appreciable tax increases will be a **number of**

the houses that had the **600 capital improvement projects**, but **no increase in taxes**, for the prior **8 years**.

Some people have said that co-op residents will receive a **decrease in taxes**, smaller with Homestead or larger without, so why not **vote for it**? I'll say something that may be worth thinking about being just a small but very human **ancillary benefit** to a **major policy decision** not to invoke Homestead. It is **very unlikely** that there will ever be **truly affordable housing** in Bronxville. To the extent that a **pale imitation** of it **does exist**, it does so in a few of the smaller apartments in **various Bronxville co-ops**. I **know** that some people in the co-ops are just as well off or more so than people in single family homes. I also know that people in **tight financial circumstances** can live in either single-family homes or co-ops. Yet, on average, I think that people of **more modest means** probably would reside **more** in the co-ops. **Senior citizens**, for example, living on **fixed incomes**, as well as a number of **singles** and **single parents**, some of whom we have seen here in some of the meetings of the last few weeks. **Senior citizens** and **singles** who are co-op residents and whose circumstances have gotten tight financially really don't have many other **alternatives** than **staying where they are** if they want to stay in the Village. If co-op taxes are **decreased** more without Homestead, maybe more of them will be able to stay in our Village longer, and I think that would be a **very good thing.**

I want to say something to **single-family homeowners**. As a **current single-family homeowner** and **former co-op resident**, I have experienced **first-hand** the difference in calculating **tax rates** between the **2 types** of property. In addition, I have received numerous messages and letters from many **neighbors** and **parents** of my children's classmates. They have asked the Board to **adopt Homestead** for a year and to **monitor** what happens financially. An **integral part** of my **personality** is to want to be **very accommodating** and **helpful**, but on this issue, I just **can't be**. My concern is that some of our **Village merchants** could find their **taxes** rise **so high** in 2007 that, maybe a good number of them would have to **close shop** during the year, and the **character** and **charm** of our business district might start to change **forever**. To me, the **potential** for the **loss** of **shopkeepers**, many of whom have been so good to our Village, is just **too great**.

There has also been a plan advanced by other **concerned residents**, nick-named **'Homestead Lite' - Homestead Lite** would fix the tax base proportions at **somewhere between** the current split of 77% residential / 23% commercial for 2006 and the 84% residential / 16% commercial proposed for 2007. I'm **opposed** to this plan because it would still, to some extent, entail the risks of **financial uncertainty** that I've previously discussed.

I also want to say a **few words** to **co-op residents**. Concerning the **ad** run by some landlords in **The Review Press** on **November 9th**, **I agree** with all that the mayor and my fellow Trustees said at a prior meeting concerning its **misleading** and **inflammatory** nature. However, I felt that the **most surprising** thing about the ad was that it seemed to be **so readily believed** by **so many**. We, as a **Board**, must **not** be **communicating effectively. We do care** about the **entire Village**. We'll definitely have to come up with ways to indicate that to you. In a brazen appropriation from the title of a former best-seller, I'll say that **All *I* Really Needed to Know about Community, I Learned in a Bronxville Co-op.** As **president** of the co-op board, I learned that **constant, two-way communication** is **key**. If all have the opportunity to **voice** their **views** and **everyone** is **heard** and **acknowledged, community** is **enhanced**. The **Board** tries to do that here and I think we have done so **particularly** with this Homestead issue. I also ask all of you to **stay involved** in Village affairs, as I know many of you will. Your **ideas**, your **energies**, and your **perspectives** are so **valuable** to **us** and to **effective communication. After tonight**, please continue to play an active **part** in **what we do**.

I want to mention and **thank** a few of the people who have taken **lead roles** on both sides of this Homestead debate. **Cindi Callahan, Steve and Betsy Howard, Gary Finger and Megan McKinley** have been **untiring** in their efforts to **educate** and to **persuade**.

In summary, the **financial risks** and **costs** of instituting Homestead, combined with the **devastating** and **rancorous effect** on the fabric of our **community** that I think that different tax rates for **single family residences** and for **coops** would have, make me **strongly oppose** using the **Homestead Option**.

As your **elected officials**, we need to make determinations about some **very emotionally charged issues**. I can say easily that I have never seen our Village more **stratified** among **single family homeowners, coop residents** and **merchants** than with this **Homestead Option** question. Yet, we residents and merchants of Bronxville are also very **resilient**. After this issue is **settled**, I am **confident** that we will begin to move forward **together** again **quickly** as **one, unified community**. Thank you."

Trustee Underhill –

- "I am grateful to have had so many people express deep interest in this important topic. I hope that we can keep this interest level up on other important issues that affect our Village. 'Let's not make this a one night stand.' Your involvement and interest is always welcome and appreciated – please stay involved even when the Homestead issue is long behind us.

- Bronxville is a very special place. It is a closely knit community that draws its strength from its multitude of talented volunteers, its charming business district, its outstanding school system, its beautiful single family homes and town houses and its high quality stock of cooperative and condominium properties that allow talented and committed citizens to stay in Bronxville into their retirement. We have to protect all facets of this gem, we must evaluate any policy decision in light of the community as a whole. It is imperative for each and everyone of us to understand that if the school fails, we will all pay the price. If the single family homes drop in value, we will all pay the price. If all of the couples living in single family homes without kids have to sell, then the school will have a major influx of young children and we will all pay the price. If the retail district fails, we will all be losers, and if the cooperative apartments and condominiums deteriorate in quality, we will all be losers. We can not draw lines across our community as our futures and fortunes are inextricably linked.

- Homestead is a complex issue. It defies simplistic answers and it is extremely nuanced. It is the most complex issue that I have dealt with during my 25 year business career. There is ample room for educated and fact-based debate – which we have had. There is no room, however, for misinformed speculation – which unfortunately we have also had – on both sides of the debate. One citizen, a resident of a coop, hand delivered letters to each of the Trustees stating that if Homestead were passed that he would vote against every school budget in the future. I can't tell you how short-sighted and counterproductive this type of behavior is. This approach to Village governance is absolutely antithetical to the very fabric of this Village. We all must repudiate this type of thinking. We all benefit from the prosperity of the other elements. We do not live on islands.

- When this is all said and done, I ask you to respect the positions that have been taken and seek comfort in the fact that each of these positions has been agonizingly debated among the group before you this evening. I have worked very closely with my colleagues on this board, I disagree with the position taken by some. However, this will in no way diminish my respect for them moving forward. Tonight, I simply ask the same of you.

- This job is a significant burden and responsibility. I volunteered for this job not out of political ambition, but out of a sense of public service. I do this job because I care deeply about this Village. Not only is this my home of 13 years, it is where my wife Sarah grew up, where my mother grew up, and where my grandmother lived. It is a very significant part of my family legacy. My great great grandfather, William Van Duzer Lawrence, was one of the progenitors of Bronxville. He played a lead role in shaping this Village as we know it today. My grandfather, Penrose Stout, was one of the most prolific architects in the Village. He designed the Women's Club, many single family homes and a great number of the cooperative and condominium buildings here in Bronxville. I mention this because I want all of you to appreciate how humbled I am sitting here this evening voting on such an important topic – I want to assure you that I am thinking about the past as well as the future. I also say this to convey how offended I was by one letter suggesting that I, as one of the Trustees, was determined to destroy this special Village. I want to assure everyone watching tonight that I have a whole lot of skin in this game.

- During our public hearings there was much made of the term "fairness". Unfortunately, an outcome of true fairness can not be achieved under State law. New York State Law mandates that we tax all properties at a uniform rate of market value, but then says that we have to value coops/condos and apartments utilizing the income capitalization method and we cannot utilize actual sales data. As a result, coops and condos are assessed at values below actual market value. On the most recent comps that I have reviewed, current assessments are running at a discount to market value of 30 to 50%. So I have the following conclusion: 1) We are mandated by the State to have two tax rates on market value so I am forced to reject the notion that two tax rates will be detrimental to the Village. It is a fact that we have had two tax rates in the past, and we will continue to do so in the future regardless of Homestead. I have further concluded that we as Trustees just have to do the best we can with an unfair situation – We have to achieve an optimal solution that recognizes everyone's interests.

- We need to reject the notion that property taxes should reflect use. Property taxes by their very nature are ad valorem taxes, as such they are a tax on value. We are not able to tax based upon the number of kids in the school, or by the amount of trash removed weekly, or by the land area, or by any metric other than value.

- I recognize that State Law is a fact of life. As part of this job description, I have recently become quite familiar with a portion of State Law known as 5711Q relating to police conduct. I have major concerns with this law, but it is the law, and I have followed my oath and applied this law to the best of my abilities. I am absolutely committed to doing the same with the implementation of our revaluation. I recognize that coops and condos were assessed in this fashion when Sarah and I purchased our house 13 years ago. I accept this. However, the current argument that the coops and condos should receive a major reduction in taxes because the single family homes have been historically under assessed is simply disingenuous, as the same can be said of the coops and condos – It is important to note that this is not true of the retail properties in the Village. State Law provides municipalities with the Homestead option. There is a reason for this. I admit that it is a blunt instrument, but we, as Trustees, have been placed in this uncomfortable position and we have a duty to consider all of the tools at our disposal to tax all property owners at a uniform rate of market value.

- I, like you, have not reviewed the CBRE report on capitalization rates. I look forward to its completion and its release to the public. When I'm not working on Homestead issues for the Village, I am responsible for the investment function for a national real estate investment company – As a result, I live CAP rates on a day-to-day basis. I have spoken at length with Mr. Iagallo about the CAP rates that he is using in this assessment, and I can say without hesitation that the 6.25% CAP rate that is being utilized for determining the values of the coops/condos and apartments is, if anything, too high in today's investment markets. Let me give you some data that I, as an individual, have pulled from real capital analytics, which is the Bloomberg equivalent data source for the real estate investment community. This is a tool that I use extensively in my business. I wanted to check with this reputable and widely referenced source so that I could approach the topic with confidence.

- From this data, I am absolutely comfortable that the Village's choice of CAP rate is very defensible.

- I also want to add that this Board is intent on taking every step necessary to support and enforce these valuations.

- As I have thought about this issue, I have found that I have been distracted by anecdotes relating to this single family home, that coop, or that retail property. Revaluation is a para mutual exercise and, by definition, there will be winners and losers within every class of property and across classes of property. But within the Village, it is a zero sum game. Therefore, I have constrained my thinking to considering only classes in their entirety. With this in mind, I was curious about what this discussion really meant to each of the classes of property. Using the data from CLT and Mr. Iagallo, I personally crunched the numbers and found the following:

  - Without Homestead the 2006 tax burden will be shifted as follows:
  - Single family homes will increase by 9%
  - Taxes paid by retail will decrease 24%
  - And taxes paid by the residential component of the commercial class will decrease by 30%

- Assuming that Homestead is adopted and the current base proportions of 76.6%/23.4% is held into 2007:
  - Single family by definition would not change
  - Retail taxes would increase 6%
  - Coop/condos would decrease by 3%

- A couple of facts are worth emphasizing:
- 1) Regardless of what action the Board of Trustees takes this evening, the taxes paid by the coops/condos and apartments as a sub class, will go down. Let me repeat:
- 2) If Homestead is adopted and no changes are made to the base proportions, taxes paid by the retail sector will increase. This concerns me.

- The retailers are the one group in this discussion without a vote and we can not leave these people behind. Taxes on the retail properties are a multiple of the Westchester average. We need to be realists. The valuation methodology that the State mandates for valuing retail property is the proper approach for these properties. As a result, we end up with this odd outcome where two types of property are lumped together in the same class, with one being significantly under assessed relative to market value and the other being assessed a true level of market value. This is a significant source of concern when I consider adopting the Homestead option because it increases inequity.

- Fortunately, State Law provides municipalities with an option here. Boards of Trustees may adopt Homestead, but alter the base proportions as long as they are moving in the direction that would otherwise be experienced without Homestead.

- I propose that the Board of Trustees adopt the Homestead option, but adjust the base proportions in such a way that our retailers – as a class – will not bear any increase in the tax burden. Under my proposal, we would adopt Homestead and adopt a base proportion of 78%/22% versus the 76.6/23.4% that we have today. Under this scenario, single family homes would bear an increase of 2%, our retail properties would see a decrease of 1%, and our very important coops and condos would see a significant decrease of 9%. I believe that this is a solution that embodies the spirit of this Village, it requires everyone giving something, and it helps to ensure the long-term viability of every facet of this gem that we call Bronxville.

- You have heard, or will hear some questions from citizens that contain subtle implications about the quality of the information that has been provided to us. I want to assure everyone listening today that everyone on this Board has great confidence in the quality of the information provided to us to date. I am personally disturbed by any comments that call this into question. Personally, I value the Homestead option because it provides us with an escape hatch in the unlikely event that we discover unintended consequences. Yes, it would be embarrassing to say that we made a mistake, but then I am fully prepared to do that because I am here only trying to ensure that Bronxville remains a great place to live for my grandchildren.

- Thank you for your patience with me this evening. There is so much to say.
- But let me close with the following: This has been a rancorous topic. It's not the first and it's not the last that Bronxville has experienced. And it will not go away quickly. Regardless of how this vote goes this evening, if we collectively think beyond our pocketbooks, and consider what this Village stands for, we will all see that we will best be served by putting Homestead behind us."

Trustee Poorman – "We have all learned a lot about NY property tax law in the last year, including the fact that commercial buildings are *valued* differently from residential properties. New York also legally categorizes cooperative apartments and most condominiums as commercial buildings hence they are *taxed* differently than other homes.

Because many of Bronxville's commercial buildings are co-ops or condominiums we wonder why a co-op apartment and a single family home that sell for the same amount are taxed at different rates. The co-op owner typically pays a lower property tax than the single family homeowner. Nothing sneaky. All fully above board and legally correct. That IS New York State Property Tax law.

One of the many issues I have wrestled with lately is whether a $1M co-op is conceptually and tangibly the **same** as a $1M house and therefore whether it *should* be taxed at the same rate. And if it *should* be, is it our local obligation to correct state law, to the extent possible?

Co-op owners own shares in a corporation not their own four walls, not a plot of dirt. They and condo owners are subject to assessments at the will of their Boards not their own determination of appropriate timing for repairs. (Although heaven knows single family homeowners have their own share of unpleasant emergency expenditures.) The coop-condo market typically cools down more quickly than the housing market.

I have come to believe coop/ condos and single family homes are similar but not exactly the same. **Similar** in that all are homes, primary residences, but different by design – a box in the air is how one resident described his co-op to us last week – and clearly different in legal ownership. Most people probably purchased their residential commercial property based on a reliance on the existing state tax system. Maybe examination of the philosophical differences among such residences is not even a productive line of inquiry, yet it does affect *our underlying perceptions of fairness*. And it may help us understand the legislative intent behind the creation of a dual residential tax system. It has been in place for at least 40 years—before most of us bought our homes be they condo or single family.

I don't agree that coops/ condos should be taxed differently from other residential dwellings. But I don't **now believe** the way to remedy a long-standing, fundamental state tax decision with which I disagree is to superimpose another dual tax system on our local property taxes. Especially an option that would freeze proportionate class tax rates at percentages that we know were in place under a flawed and inequitable local tax system. I now believe that the difference in valuation of residential commercial property and single family homes can really only be addressed through the NY state legislature.

We heard last week that the rough justice in Bronxville's residential tax system is that the majority of residents of co-ops and condos do not have students in the Bronxville school system. Many because they are empty nesters. And it's wonderful that they choose to reside or remain here. How boring Bronxville would be if every resident had kids in the school. But let's remember that plenty of empty nesters have chosen to remain in single family homes. It distresses me to think that *any* senior citizen will be hurt by our decisions.

What I can say with certainty is that American legislative bodies, much more distinguished that this one, *long ago* decided that the financial burden of public school education should be shouldered by ALL citizens, whether they are parents of current school students or not.

We cannot lose sight of the fact that we all use municipal services to *different* degrees. **Obviously** the school system, but also the library, the senior citizens program, our tennis and paddle courts, to name a few. Let's not finger point as to which residents use more of certain services but appreciate that we live in a lovely and vibrant community that is enhanced in value by **all** its services including the excellent schools. It is destructive and unproductive to "accuse" some residents of greater usage.

Bronxville is enhanced not just by our great school system but by our wonderfully attractive and highly **functional** downtown. Pondfield Road is often the first glimpse of our Village that a newcomer sees. We hear the terms "quaint" and "charming" applied to Bronxville constantly. But it really **works** as a retail center. People come from all over lower Westchester and beyond to shop in our stores. And we residents derive revenue from that shopping. Of **course** stores turn over as the years go by, but historically most shops have been run by small business owners.

Unlike many of the **10%** of New York municipalities that adopt Homestead, our commercial buildings **are** generally populated by mom and pop stores, not large corporate or industrial entities. These shopkeepers could be irreparably hurt by Homestead. If their taxes increase, and these numbers are VERY hard to nail down, we could see a lot of store closures. Not just the first year but as certioraris are filed and commercial properties alone, including those stores, bear the full brunt of repayment. ALL citizens AND their residential property values would be diminished by a vacant, tumbleweed downtown. That is one of the most compelling reasons for me personally to vote against the Homestead Act.

This reassessment is a **huge** step toward correction of many of Bronxville's previous tax inequities. It is true we will not achieve **perfect** fairness. But in 2007 we will be much, much closer than in recent years. Particularly important, the severely undervalued single family homes and those homes that were renovated but never reassessed will pay their proportionate amount. Perhaps our 6% shift in tax proportion from commercial to residential actually reflects the underlying reality of the correct value of the residentials. We've picked up conservatively somewhere over $50M in taxable value on single family homes under the new reassessment. Where was that value before? Completely unassessed and untaxed.

I simply do not now believe Homestead moves us any further towards that elusive goal of absolutely fair property taxes. Homestead is a roundabout and temporary local taxation decision that certainly does not correct the underlying New York **state** difference in residential taxation. Homestead establishes a burdensome system of two tax rates that I find intrinsically unpalatable.

The divisiveness from the *perception* of unfair dual local tax rates is very evident. I cannot ignore the fact that some residents will believe that if they are taxed at a higher rate by the village of Bronxville they are lesser citizens. It is not true but I don't know how we can erase the perception.

Nor do I believe that the "try Homestead for a year and see how it goes" approach works. It creates uncertainty in the market, continuing rancor in the community and simply defers equity.

For all of the foregoing reasons, I vote against the adoption of the Homestead Act."

Trustee Barton – "I feel I owe the Village a lucid and very defensible explanation of why I believe that adoption of the Homestead Option is appropriate, given the position the Village finds itself in at this particular moment. Before I begin my explanation, however, let me state a few facts. I was not yet on the Board of Trustees last spring when the vote to reassess was taken so I have the privilege of looking at this situation as an objective observer but also as someone who must take a position on Homestead tonight. I am completely taking politics and self-interest out from my reasoning and being completely objective. Please allow me the opportunity to offer the justification of my position. I will make four points and then conclude. I must state at the beginning of my remarks that I will use the word "class" frequently and this only refers to the legal definition of commercial and residential classes, not anything judgmental.

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POINT #1 – Where do I stand on Village tax issues?

When I ran for this office last spring I was asked for my opinion on the reassessment question. I said I was in favor of it but troubled about two major issues. One was the whole question of why NYS does not mandate reassessments as do other states, such as Connecticut, which requires reassessment every five years? I believe the state does a disservice to its villages and towns by permitting tax rolls to get so inevitably stale. The other surprising fact I learned was that all classes of properties are not assessed on the same basis. Single family homes are assessed on fair market value, using 1967 as the base year and adjusting tax rates through the years. Co-ops and stores are assessed on a complicated formula of assigning a rental value to the building and applying a formula to determine each unit's tax bill, thus creating two very different classes of properties within one village. I, possibly naively, asked, 'why is this two class system in existence in NYS?' I learned that it is based on an effort over 30 years ago in NYC to encourage multi-family development by giving a tax break to the developers and the residents of these multi-family properties. I publicly stated that I work in a world where fair market value is the price that a willing buyer and seller agree on, so why should co-ops be valued differently than single family houses? Buyers of a cooperative are perfectly informed of its limitations on expansion, the lack of land or garages, etc. They also might be possibly attracted to co-op life by not having to worry about lawn maintenance, house painting or whatever. But in the end, those factors were all considered in the price the buyer was willing to pay for the unit. But no, not in NYS, did this principle apply. The state decided long ago that a capitalization rate formula was a more appropriate method of valuing the tax basis of a co-op. As a result, another class of residents was thus created. The current circumstances of these alternative taxation methods have resulted in a $500,000 co-op sitting next to a $500,000 town house and paying 40 to 50% of the tax the town house does. The same differential also applies to single family homes. I have trouble with this in the world of fairness.

POINT #2 – What services are used by villagers and who should pay for them?

The argument was made that the residents of cooperative apartments are less likely to use the school and other services than residents who live in houses. That might be true, but we all benefit from the quality and reputation of this Village, which is specifically enhanced by the Bronxville School. I would argue that the quality of the school significantly defines the character of this community and without the exceptional service it provides, this Village would not be anything close to the type of community it is today. It is very easy for any of us to move out of the Village but many of us choose to stay because of the special nature of our Village community. And we all know that much of the reason both the houses and cooperatives are so dearly valued is because of what we offer both the young and the not so young.

I, and all of you, send a high percentage of the income we earn every year to the federal and state governments as income tax payments. Never have we been asked to identify which agency or service we wished to support, even though the benefits we probably personally receive are from a minuscule number of government departments. We are all citizens and are asked to pay our share. Getting into a "pay as you go" society is not in keeping with democracy and, in the case of public education, certainly illegal.

POINT #3 – Why did the New York State Legislature pass a Homestead provision in 1981 and why do I feel we should adopt Homestead?

NYS recognized the problems a village might face with this fundamentally flawed two class tax system in the event of a voluntary reassessment, so it allowed the villages and towns that undertook such a reassessment to freeze the relationship between the classes. The state offered a pill, as I feel they should, to soften the impact on those villages and towns that recognized the problems in the tax rolls and had the fortitude to undertake reassessment. It's a kind of olive branch extended to those bold communities that, on their own, try to correct the inevitable inequities in the tax rolls that develop in a town after 30, 40 or even 100 years of not reassessing. Bronxville correctly realized that there was inequity within the Homestead class and voted to reassess. However, there is a burden shift from the Non-Homestead class to the

Homestead class of $3 Million as a result of this reassessment and I just feel that is too much of a price to pay in one year for correcting the inequities within the Homestead class.

Perhaps the most important implication of our decision is the timing of our action. We are given only one chance to vote for Homestead or not and that time is after a full reassessment of the Village. We must decide now to "use it or lose it". I had hoped this decision would have been much more black and white for me than what I find it to be. But in the end, I must vote on what is fair to all my constituents, which is the entire Village. After listening to many different points of view, discussing it with tax experts and searching my soul for guidance, I feel that the evidence is convincing enough for me to vote for adoption.

With the "use it or lose it" option comes a very appealing benefit. That is, the Trustees can vote next year to change the percentage of the shifts if we want to, up to 5% per year. Or we can vote next year to reject Homestead if it appears that it is the better outcome for the entire Village.

POINT #4 – What is my reaction to the tremendous number of emails, letters and calls I have received on this topic?

Firstly, I want to express my appreciation to those who communicated with us. Although I feel there has been much misinformation spread around on Homestead, the fact that there has been such an outpouring of opinions on this issue has not been lost on me.

There is a sense that if we adopt Homestead there will be a higher tax rate for the Commercial class than for the Homestead class. This is in fact true. However, the tax rate is only one part of the equation to calculate your tax bill. The tax rate is multiplied by the assessed value. The most important figure we should all care about is the total tax due. The Homestead Act freezes the relationship of the total taxes collected by the two classes; it does not shift a burden onto one or the other. Even with Homestead, some individuals will see their property taxes increase and others will find them staying the same or dropping as we readjust to the new, equitable tax rolls that have been so professionally prepared by CLT. So the emails and letters we have received from cooperative owners fearing that they will have to sell their units and move away because their taxes will be higher will, in all likelihood, not occur. There is a concern for the stores and whether by adopting Homestead we will be further squeezing these already burdened businesses. Well, again, the "commercial class", which includes coops and stores under NYS tax law, will not pay proportionally any more taxes than they paid this year. A report was released several months ago called the Eckert Study, which very preliminarily suggested that the co-ops' tax rates would drop fairly dramatically and the burden within this class would fall heavily onto the stores. As we are receiving more details from the reassessment, it is looking like that scenario will not come to pass and there will not be a major shift in tax burden to the retail group. Additionally, we can set a Homestead Non-Homestead ratio that actually protects the retail space from tax increases, which falls between the all or none Homestead option. If others agreed, I would be amenable to considering that choice as an alternative vote tonight.

I feel that in addition to the school, one of the special characteristics of the Village is its quaint downtown shopping district. It pains me to see stores closed and shuttered – Hamilton Cleaners, Try & Buy, Pennyweights to name just a few. Some reasons for commercial enterprises shutting down have nothing to do with taxes but more to do with changing tastes among consumers. But some of the burden is because of higher operating costs, taxes being one of them. I will closely monitor this in the future and as I mentioned earlier in my remarks, if we adopt Homestead, the Trustees have the option to adjust the rates annually. And I would encourage all of us who reside in this Village to, as I personally do, shop till you drop in Bronxville!

In conclusion, I feel I speak for my fellow Trustees in stating that this decision on Homestead has been one of the most difficult any of us has had to make in our lifetimes. While the Village will likely survive, no matter what we conclude, we have all spent a lot of our time debating our personal definition of fairness. I hope the community can move on and forward after tonight's vote. Thank you for listening to my comments."

Mayor Marvin – "I will start by saying this has been truly the most difficult and agonizing decision, partly because the decision to adopt or not adopt Homestead is a legislative one, a policy decision, not a scientific one – with numbers and data being only a part of the equation. There is no right or wrong, black or white here – rather very valid arguments on both sides and the balancing of legitimate, competing interests. My duty as I see it is to synthesize all the information and make a decision that I believe is in the long term best interest of the Village.

It is important in making this decision to review the history of how we got here and what makes our project different from other communities and consequently my views of Homestead.

We embarked on a project to cure not only 30 years of acknowledged inequity resulting from an aged tax roll but also frankly years of missed assessments. By way of understanding the magnitude, the revaluation has added $50 million of previously unassessed property to our tax rolls.

We promised equity because we needed to raise the confidence level of our citizens in their taxing system and move us to a better place as a Village – and I believe we are there today.

We have taken all the appropriate steps to achieve equity. We hired an excellent company to do the valuation; we consulted with and hired the best experts out there on all the relevant topics, our numbers are solid related to revaluation, they have been tested and retested and the experts have a great deal of confidence in the end result as do I. The equitable numbers are the 84%- 16% split between residential and commercial properties, not the 77% - 23% or some permutation in the middle.

So on a very basic level, why spend a year and $600,000 to cure the inequities within our ability to cure only to overturn all this work by fiat, and lock in numbers, for however long, that everyone acknowledges were so inequitable and un-precise that they necessitated a full revaluation and repair? Preserving a fictional ratio not based on the value of property disadvantages all of us and wipes out all the confidence we have spent a year trying to restore to the system. I think Homestead, given our history, is a step backward in achieving our promised equity.

I too do not agree with New York State's way of valuing co-ops and condos. But it is a state taxing policy that has been in place since the early 1970's. If you purchased your residence in the last 35 years, the law has been quite clear on how your home would be valued based on its type of ownership. It is the same for co-ops in Scarsdale, Chappaqua -- everywhere and you make that informed decision at the time of purchase. I think it is flawed policy, but I would also argue that the Homestead Option is the overlaying of one flawed policy on top of another. The critical difference in my mind is that one was mandated by the State vs. Homestead where local officials impose inequities in their own community – in our case – creating a different tax rate, one 50% higher for Bronxville's commercial class.

I also believe Bronxville is the wrong type of community for Homestead. This option, which has only been adopted in 10% of the communities who had the choice – was designed to stop huge sudden shifts between property classes causing a destabilization of a taxation system. We thankfully don't have this. Not to discount any cost shifts because all have a financial impact, given the acknowledged inequities and missed valuations present in our role as well as the great increase in value of residential homes vs. the commercial sector in the last 40 years – the 6% - 6 1/2% spread was smaller than anticipated by the experts.

Homestead also works best in communities with large, profitable, faceless corporate and industrial presences – industrial complexes that also bring down the value of the surrounding residential areas, so off-loading taxes is a viable and justified option. Our commercial district is quite the opposite, 40% of our residents live in the commercial sector and our industry consists of mom and pop stores that serve only to increase the value of our Village as a whole. Homestead also requires us to segregate all certiorari settlements into their class of origin, so a favorable settlement by one commercial building must be absorbed by everyone in the class including the shopkeepers who have standard leases with 100% pass throughs of tax increases.

The results may not be felt for a few years but by adopting Homestead now I believe the message will be sent making Bronxville undesirable vis a vis our like communities to own or operate a business in going forward. Homestead tax policy will hurt our business district going forward which ultimately affects the value of all our homes. I believe Homestead is not a conservative approach, but rather a changing of the rules of business in mid stream – an artificial manipulation of the free market. I think it's time to make a decision, remove uncertainty in our taxing policy and go forward.

I want you to know I have also listened to the residents in single family homes and understand their frustration with the state system of property valuation and appreciate the huge tax burdens they already shoulder. Though, based on the new assessment role, 1/3 of the homeowners will see their taxes decrease, and 1/3 of them will have their taxes remain essentially flat, I know there will be people in the other 1/3 who need relief. I simply believe this is not the way to achieve it. We would all be better served by striving to reduce our total tax levy as a Village.

I will pledge, that equipped with our equitable values supported by capitalization rates to preserve equitable ratios by allocating more money and effort to maintaining a current assessment roll and then defending these values vigorously in certiorari proceedings so less will be paid out in refunds going forward.

I have spoken longer than I wished, but I thought it important you understood my thought process on this very important decision.

In closing I will offer one last reason, the un-scientific, but perhaps the most important. Ultimately I believe a system of dual tax rates set up by your local government – people who are your peers, your neighbors – for however long – a year, 2 years, would tear at the very social fabric of this Village, affecting school budgets, creating a legacy of division with its corresponding perception of inequality that will outlast generations, a rift no tax savings can heal and rob us of our most valuable asset – that of being one community."

On the roll call voting was as follows:

AYES: Trustee Underhill, Trustee Barton

NAYS: Trustee Bellitto, Trustee Poorman, Mayor Marvin

Mayor Marvin declared the motion defeated.

On motion of Trustee Barton, seconded by Trustee Bellitto, and unanimously carried the meeting was closed at 8:03 p.m.

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Harold Porr III

Harold Porr III, Village Clerk