New York City Independent Budget Office

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Budget Options For New York City

Environment

New York City
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Budget Option

Charge a Fee for Curbside Collection Of Nonrecyclable Bulk Items

Revenue: $60 million annually

The Department of Sanitation (DSNY) currently provides free removal of large items that do not fit in a bag or container as part of its residential curbside collection service. Bulk items that are predominantly or entirely metal, including washers, dryers, refrigerators, and air conditioners are collected as recycling, while all other bulk items are collected as refuse. Nonrecyclable bulk items, including mattresses, couches, carpet, and wood furniture, make up about 3.2 percent, or 98,000 tons, of New York City's residential refuse stream.

Under this option, DSNY would institute a $20 fee for every nonrecyclable bulk item that they collect, generating around $60 million in revenue in the first year, which would offset DSNY collection and processing costs. The fee could be paid through the purchase of a sticker or tag that would be attached to the bulk item, once it is placed at the curb, making proof of payment easy for sanitation workers to see. The collection of recyclable metal bulk items would continue to be provided without a fee, and items would continue to be collected on regular trash days.

This option assumes a 20 percent reduction in the number of bulk items thrown out in response to the fee, which would yield savings as well from lessened collection and processing costs. IBO estimates this option would bring in $60 million annually in revenue, after netting out administrative and enforcement costs. IBO's estimate also assumes that bulk items weighing less than 15 pounds would be shifted into the bagged refuse stream. This estimate does not include fees for electronic bulk items, such as computers or televisions, which are banned from disposal and are handled through legally mandated free manufacturer take-back programs. To implement this option, the State could pass legislation to enact fees, or at a local level, the City could pass legislation with State approval.

Proponents might argue that exporting waste to out-of-state landfills is expensive and having residents pay directly for their largest and heaviest items more directly aligns use of the service to the cost of providing the service. They could note that many other cities charge for bulk collection or limit the number of bulk items a property may have collected each year. Additionally, charging a fee for large refuse items would give residents some incentive to send less of their waste to landfills, either by donating their items for reuse or simply by throwing out fewer bulk items. Proponents could point to the City's NYC Stuff Exchange, which could help residents get rid of items they do not want without throwing them away and at no cost. They could also argue that any needed increases in enforcement for illegal dumping would be covered by the revenue generated by the collection fees and the summonses issued to violating properties.

Opponents might argue that this fee would be difficult to implement and enforce in a large, dense city such as New York. Instituting a fee for what was previously a free service could increase illegal dumping of bulk items, which could require increased spending on enforcement and be a nuisance to nearby residents. Multifamily buildings, which often gather all residents' garbage in common areas, could face more difficulties with this new charge, as the building owners would be responsible for their tenants' behavior. They could be burdened with untraceable items and forced to pay the fee on their tenants' behalf. Opponents could also argue that the fee is particularly burdensome for low-income residents. Lastly, they could argue that this fee would not reduce DSNY's tonnage very much because certain items, such as broken or heavily-used furniture will have no potential for reuse and will have to go to a landfill eventually.

Prepared by Jordan Paige

Budget Option

Institute Pay-As-You-Throw for Sanitation Department Waste Collection

Revenue: $406 million annually

Under a so-called "pay-as-you-throw" (PAYT) program, households would be charged for waste disposal based on the amount of waste they throw away other than recyclable material in separate containers—in much the same way that they are charged for water, electricity, and other utilities. Fees collected through this program would cover costs of solid waste collection and disposal, recycling, and other Sanitation Department services.

PAYT programs are currently in place in cities such as San Francisco and Seattle, and more than 7,000 communities across the country. PAYT programs, also called unit-based or variable-rate pricing, provide a direct economic incentive for residents to reduce waste: if a household throws away less, it pays less. Experience in other parts of the country suggests that PAYT programs may achieve reductions of up to 35 percent in the amount of waste put out for collection. There are a variety of different forms of PAYT programs using bags, tags, or cans to measure the amount of waste put out by a resident. Residents purchase either specially embossed bags or stickers to put on bags or containers put out for collection.

Based on Sanitation Department projections of annual refuse tonnage and waste disposal costs, each residential unit would pay an average of $111 a year for waste disposal to cover the cost of waste export, yielding $406 million in revenue. If the program led to a 15 percent reduction in waste, the average cost per household would go down to $94, with total revenues of $345 million. Alternatively, implementation could begin with Class 1 residential properties (one-, two-, and three-family homes) where administration challenges would be fewer than in large, multifamily buildings. This would provide an opportunity to test the system while achieving estimated savings of $115 million, assuming no decline in the amount of waste thrown away. To implement this option, the State could pass legislation to enact fees, or at a local level, the City could pass legislation with State approval.

Proponents might argue that by imposing a fee on residents reflecting the cost of providing waste removal services, the amount of waste going to landfill will decrease, and the amount of recycling and organics collected likely will increase. They may also point to the City's implementation of metered billing for water and sewer services as evidence that similar programs have been successfully rolled out. To ease the cost burden on lower-income residents, some cities with PAYT programs have implemented subsidy programs, which partially defray the cost while keeping some incentive to reduce waste. They might also argue that illegal dumping in localities with PAYT programs has mostly been commercial, not residential, and that any costs for increased enforcement would be paid for through the savings achieved.

Opponents might argue because the rates are the same regardless of income, lower-income households would be burdened more by PAYT than higher-income households. Many also question the feasibility of implementing PAYT in New York City. Roughly two-thirds of New York City residents live in multifamily buildings with more than three units. In such buildings, waste is more commonly collected in communal bins, which could lessen the incentive for waste reduction. Increased illegal dumping is another concern, which might require increased enforcement, offsetting some of the savings. Relatedly, opponents may argue that this would lead to an increase in refuse incorrectly being put in recycling or organics bins (which would have free collection). This improper sorting would make recycling and organics processing more expensive, undercutting the revenue derived from refuse.

Prepared by Jordan Paige

Budget Option

Value Gramercy Park as Its Own Lot Instead of Reflecting the Value in Surrounding Buildings

Revenue: $9 million annually

Gramercy Park, which was established in the 19th century, is a private park. The park is fenced and only individuals who have a key to the park can enter. Keys are only available to residents of some—but not all—of the buildings immediately surrounding the park. According to the Department of Finance (DOF) property tax records, the park currently has a market value of $0. The value of the park, in theory, is reflected in the assessed value of properties that have keys to the park.

In 2020, IBO conducted an analysis using DOF's fiscal year 2021 property tax assessment rolls and public real estate listings on which buildings have keys to the park, and there appeared to be more properties listed with keys than recorded by DOF as keyholders. Moreover, comparing values of residential coop buildings that DOF determined have keys to the values of similar nearby coop apartment buildings without keys, IBO found no notable differences in market values, assessed values, and property tax per square foot. IBO inferred from this evidence that DOF did not in practice systematically reflect the value of park access in the assessed values of properties that have keys.

If DOF instead were to value the park as an independent lot, based on the median land value of the Class 1 properties surrounding the park, IBO estimates that the park would have a market value of $197 million and property tax liability of over $9 million for fiscal year 2024. IBO does not expect any reduction in tax liability for buildings with park keys because of this policy change. Alternatively, DOF could more accurately assess the full market values of key-holding buildings on the tax rolls to reflect the implied value of park access.

The de facto tax exemption of Gramercy Park dates to a 1910 court ruling where the Trustees of Gramercy Park effectively argued that their properties paid the value of the tax indirectly through their higher property tax assessments, and therefore the park should not be taxed directly. The City never challenged the ruling. The City would need to clarify the tax status of the park in order to collect property taxes on the lot.

Proponents might argue that if any assessment method that depends on capturing value reflected in other properties is not kept current, then the owners with park keys are shifting the tax burden on this private property to the rest of the City, a particularly unfair outcome given the relative affluence of the Gramercy Park neighborhood. They might also point out that directly taxing the value of the private park is a more transparent and efficient way of ensuring that those who benefit from the private park pay their appropriate share for the privilege.

Opponents might argue that although properties with park keys may not pay higher property taxes than similar properties around the park, they pay higher real property transfer and mortgage recording taxes because they tend to have higher sale prices due to park access. Over time these taxes could make up for some of the property taxes foregone from the park. Moreover, the park and surrounding streets are privately maintained, which contributes to making the overall neighborhood more attractive.

Prepared by Richard DiSalvo