Discussion of "Rising Waters, Falling Taxes: The Impact of Hurricane Sandy on Property Tax Assessments in NYC"

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Background

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  - Faster than wage adjustment, especially if inelastic housing supply (Glaeser, Gyourko, Saks 2006)
- But housing prices may **decline** in response to negative local shocks

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- Key empirical findings:
  1. The assessed-to-market-value ratio of **directly** affected properties **increased** by **4** percent
  2. The assessed-to-market-value ratio of **indirectly** affected properties **increased** by **24** percent
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  3. Inundated properties in the **high-value** segment incurred a larger increase in relative tax burden
- Mechanisms:
  1. **Directly** affected properties qualified for city **tax relief**, but many were subject to **caps**
  2. **Indirectly** affected properties did **not** qualify for tax relief, their assessed values were not revised
  3. Assessed values in the **high-value** segment were more likely to be **capped** (recent appreciation)

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- **Dynamic welfare implications** are not straightforward
  - A structural model might provide a clearer definition of "winners" and "losers"
- Natural disasters aside, large swings in housing prices are not uncommon...

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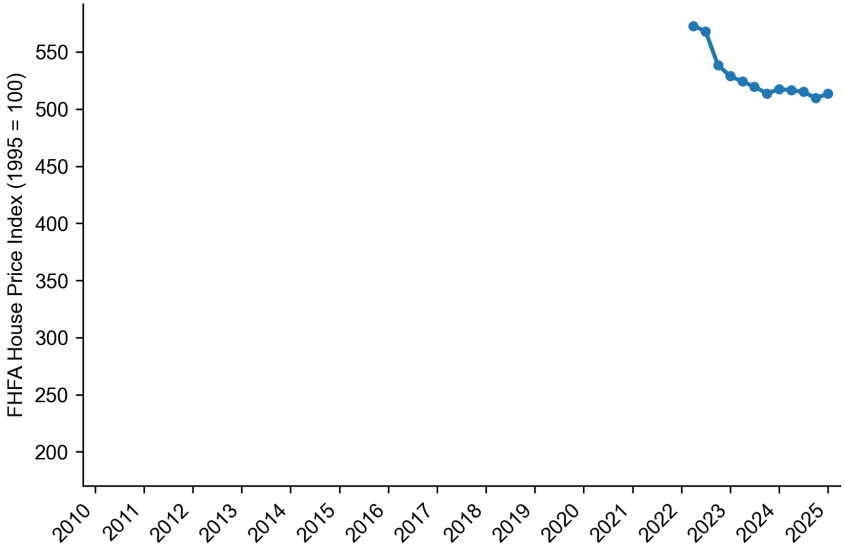

Source: U.S. Federal Housing Finance Agency, House Price Index for the Austin–Round Rock–Georgetown MSA.

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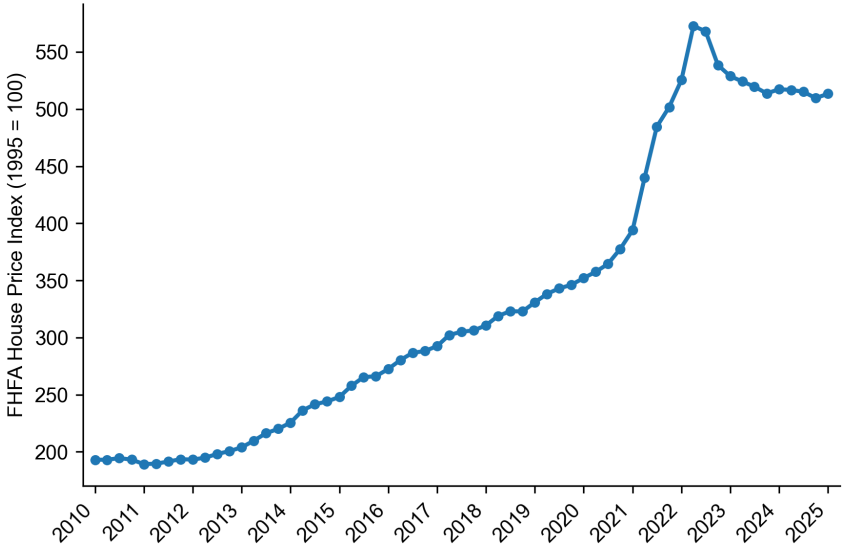

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- Cleaner control group in Specification #1: **non-inundated** properties located **outside** Zone A

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- Instead, account for the **interaction** of the housing market with salient property tax rules
- This case study has implications for **welfare analyses** of natural disasters and beyond:
  - Localized productivity shocks (e.g., Hornbeck and Moretti 2024)
  - Environmental amenities (e.g., Chay and Greenstone 2005, Greenstone and Gallagher 2008)
  - Local spending policies (e.g., Cellini, Ferreira, and Rothstein 2010)
  - Intergovernmental grants (e.g., Lutz 2010)