TESTIMONY OF JACQUES JIHA, Ph.D., DIRECTOR, MAYOR'S OFFICE OF MANAGEMENT AND BUDGET OF THE CITY OF NEW YORK TO THE CITY COUNCIL ON THE NOVEMBER FINANCIAL PLAN MODIFICATION FOR FISCAL YEAR 2021

December 9, 2020

Thank you, Finance Chair Dromm, members of the Finance Committee, and members of the City Council, for the opportunity to testify today concerning the Fiscal Year 2021 November Financial Plan Modification and the tax-lien-sale re-authorization legislation. My name is Jacques Jiha, Director of the NYC Mayor's Office of Management and Budget. I'm joined today by OMB First Deputy Director, Ken Godiner, Vincent Sapienza, the Commissioner of DEP, and Jeff Shear, DOF Deputy Commissioner.

Following the PAUSE implemented last spring, the City's economy and revenue collapsed overnight; we revised down our tax revenue projections by $9 billion. Meanwhile, the City had to spend billions of unplanned and unbudgeted dollars to deal with the pandemic.

If it were not for the record reserves built by this administration and the Council, and the savings we achieved, the City could not have dealt with this sharp decline in revenue without substantial cuts to vital services and major layoffs. So, sound fiscal management will remain key to our fiscal recovery plan. This means making cautious revenue estimates, remaining focused on savings, and building and maintaining reserves.

The November Plan reflects a continuation of this strategy. The Fiscal Year 2021 budget is $92 billion and remains balanced; it is $3.8 billion above the budget adopted in June. Budget growth is primarily driven by FEMA reimbursable costs and other federal COVID-19 relief grants that the City used to save lives and keep New Yorkers healthy and safe. We also invested in reopening schools, which is not only great for children and parents, but also a crucial step in safely re-opening the City's economy.

The other driver of the budget growth is higher-than-expected tax revenue. While City revenues have declined as the economy sputtered, the City avoided deeper declines in tax revenue collections because of the beneficial effects of the first round of federal stimulus, which included unemployment benefits, tax rebate checks, and business loans. Specifically, the Budget recognizes $748 million in better-than-expected collections, primarily in personal income and business taxes, which are offset by a decline in non-tax revenues for a total change of $613 million.

We have also achieved the largest November two-year savings plan of this administration -- $1.3 billion that completely offset new City spending of just under $780 million in those same years. We will build on these savings throughout the year.

At Adoption the Mayor committed to achieving $1 billion in annual labor savings as a gap-closing measure. Since June the Administration has reached just over $720 million for the current fiscal year. This includes furloughs of all 9,500 managerial and non-represented City employees, which has saved $20 million. We will continue to work with labor unions to identify savings that help balance the City's budget.

Another pillar of strong fiscal management is building and maintaining reserves. In the November Plan we maintain $2.8 billion in this fiscal year. And for the first time, the City will have a true rainy-day fund. I appreciate your partnership in providing another tool that strengthens the city's financial management, which has a balance of nearly $500 million.

As we proceed to the Preliminary Budget, it is important to recognize the headwinds we face from Washington and Albany.

While City COVID spending has ramped up to more than $5.2 billion, federal support has been insufficient and is actually lessening. FEMA recently changed its policies to restrict reimbursable activities. For instance, the agency has refused to fund PPE for teachers and additional disinfection necessary to allow schools to reopen safely. Federal changes are not only limited to new costs, but also some costs incurred at the height of the emergency. Further, the federal government will not support certain proactive safety measures which complicates preparation for a second wave. These changes put $350 million to $1 billion at risk.

Stimulus from Washington was a crucial lifeline to New Yorkers that provided more than $40 billion in unemployment benefits, rebate checks, and business loans. We are optimistic that further federal stimulus is likely with the incoming Biden Administration, though the timing and size is unknown.

Steps taken to manage COVID-19 increased the State's already troubled financial condition. Facing a $14.9 billion gap in its current fiscal year, Albany has threatened severe cuts to localities. We could lose billions of dollars used to educate our children and fund safety net programs for the most vulnerable New Yorkers.

Another risk we are facing is a slowing economic recovery. Monthly private sector job growth has declined steadily from a high of 105,000 jobs in June to about 14,000 jobs in October.

Despite these serious risks, we are making steady progress towards recovery, and a vaccine is on the horizon. We will continue to push the City towards recovery. Because when activity resumes, we will be stronger and more resilient than ever before.

Lien Sale Reauthorization

Before I conclude, I want to address the City's tax-lien sale.

This is a difficult issue for New Yorkers, the City Council, and the Administration.

People are struggling, and no one wants to add to the pain and challenges they face, in particular during this pandemic. That's why we are working with you to create a new, fairer program to help property owners who are facing difficult times.

We have had robust conversations already with some of you about concerns regarding the debt threshold, the income eligibility threshold for PT AID, the breadth of outreach, and the challenges that homeowners face trying to navigate the system generally. We are committed to working with you to address these issues as we go through the legislative process.

We also know that in this pandemic, people are finding it much harder to get by. That is why our proposed legislation included COVID-relief for homeowners, and it is our goal to apply this broadly and with compassion.

We find no pleasure in putting anyone's property in the lien sale, which we see as a last resort. The **very last resort** that we turn to only after we have used every tool at our disposal, and have tried everything we can, to avoid. Before a property is put on the lien sale list, we conduct extensive outreach to contact the owners and help them avoid a bigger problem. The City's goal is to advise New Yorkers of their rights and give them opportunities to resolve the lien before the property is on the sale list, when it is too late.

Every property owner is sent five notices of an impending lien. The first is a "pre-notice letter" sent four months before the property is placed in a tax lien sale. Owners are then given a range of options and advised to call the Department of Finance immediately. If there is no reply, we send four more notices before a lien is filed.

If someone cannot make payments due to extenuating circumstances, we will work with them to design a flexible payment plan that meets their individual needs.

We offer two primary options to help eligible owners repay outstanding taxes. Our standard payment plan requires $0 down and allows property owners to stretch their payments out for up to 10 years.

For those homeowners who are facing serious challenges, we worked with the Council to create the PT AID Program, which allows qualifying owners to defer their property taxes and remain in their homes.

Additionally, DOF recently began offering an option for all property owners to pay their taxes monthly instead of quarterly or semi-annually in order to help participating owners to better manage their finances.

Taken together, these payment options seek to help our city's homeowners manage through difficult times while still ensuring that we are able to collect the revenues to provide the vital services that our communities depend on.

In sum, we work very hard to avoid lien sales. But without renewing the lien sale authority, the City loses a critical enforcement tool that encourages the prompt payment of municipal charges. We need these funds to deliver the quality programs and services New Yorkers need and expect like PreK for All, street and sidewalk cleaning, snow removal, trash collection, and healthcare for some of the most vulnerable New Yorkers.

As I discussed earlier, the City faces many challenges. Failure to renew the lien sale authority could cause additional harm by damaging our fiscal health and jeopardizing our credit ratings.

We understand and share the Council's commitment to protecting struggling homeowners **and** making sure the City has resources it needs to fund critical programs and services. In light of this, we appreciate your partnership in creating a new COVID-protection program for the 2021 lien sale, and respectfully request your support.

Finally, we support the legislation Intro 2046 and we look forward to working with you on it.

Thank you for the opportunity to testify today. I look forward to continuing the dialogue in the months to come as we work together to bring New York City back stronger and fairer than ever before.

And now, I look forward to taking your questions.

TESTIMONY

New York City Council
Committee on Finance
Oversight: Review of the FY21 November Financial Plan
Wednesday December 9th, 2020

Submitted by:
Michelle Jackson
Executive Director
Human Services Council of New York

Good afternoon Chairperson Dromm and members of the New York City Council Committee on Finance. My name is Michelle Jackson, and I am the Executive Director of the Human Services Council (HSC), a membership organization representing over 170 human services providers in New York City. HSC serves our membership as a coordinating body, advocate, and intermediary between the human services sector and government. We take on this work so that our members can focus on running their organizations and providing critical direct support to New Yorkers. These are the nonprofits that support our City's children, seniors, those experiencing homelessness, people with disabilities, individuals who are incarcerated or otherwise involved in the justice system, immigrants, and individuals coping with substance abuse and other mental health and behavioral challenges.

This year as the COVID-19 pandemic tore through every corner of New York City, thrusting City contracted human services workers onto the frontlines of a global health crisis—ensuring high-risk populations such as seniors and disabled New Yorkers had access to food and mental health support, providing childcare for the families of first responders, running drop-in centers and shelters for homeless New Yorkers, supporting our City's youth struggling to keep up with their education without resources to learn remotely, and ensuring New Yorkers have access to the skills, training and education needed to economically respond and recover from this pandemic.

The human services sector stepped up to service New Yorkers in need across the boroughs even though they were facing a funding crisis before our City even saw its first case of COVID-19. The stark reality is that long before this crisis hit, the City government has asked us to do more with less. The human services sector gets most of its money through government contracts to provide needed, and often legally required services, across New York City. Yet these contracts historically underfund the direct cost of implementing contracted programs by 20%. Because of this, 68% of New York City providers anticipated not being able to meet their pre-COVID-19 demands for services in 2020 and City-contracted human services workers are being paid poverty wages for their essential work.

It is simply unacceptable that even though the November Plan increased the current year

budget by $3.8 billion or 4.3%, it did not reverse the damaging cuts to human services including cuts to the Indirect Cost Rate (ICR) Funding Initiative that impacts city-contracted human services provides across their entire budgets.

Since March, HSC has been warning City government that without real systemic change and investment in the communities most impacted by this crisis, our City's COVID-19 response and recovery and its future economic stability would be at risk. But instead of listening to the expertise of those organizations out on the frontlines, the City responded by cutting human services contracts even more and retroactively clawing back indirect funding.

To add insult to injury, the impact of the April FY20 cut to the Indirect Cost Rate Initiative was not communicated with providers until a month after the close of the fiscal year, so there was no opportunity to engage with the Administration or the Council leadership on the impact of this cut. And when providers and advocates in the sector did ask, we were told it was just a "rightsizing" of the program, only to be told in August 2020 that indirect funding for FY20 would be cut up to 40%, despite the fact the fiscal year was over, and the money had already been spent. This delay also allowed the City to repeat the same underfunding of the ICR initiative in the Adopted FY21 budget, and it was only then that we were informed this would be a real cut both retroactively in FY20 and for the start of FY21.

Now, in addition to this cut for FY20, which providers found out after the fiscal year was over, the City still has not told nonprofits if they will receive their funding for the current fiscal year. These funds are already budgeted for in providers' FY21 budgets and it is tremendously risky to have human services nonprofits operate in the face of a second wave of COVID-19 with no clear communication of how much they will be paid for their services. Providers must decide what to budget for and what to spend money on now, and if they don't spend that money, they cannot be reimbursed for those costs, meaning providers can be conservative in their spending and potentially lose out on reimbursements for indirect, or spend as they planned and end up with a deficit. This is not how you treat an essential industry.

The City created fiscal chaos for a sector providing critical safety net support for New Yorkers.

One thing MUST be clear: Cuts to indirect mean cuts to services and layoffs of essential workers. Cuts to human services at the City and State level, including this cut to indirect funding, and the lack of support from the Federal government has resulted in the layoffs of over 44,000 human services workers in New York City since February 2020.

Many agreed to contracts in FY20 with the promise that they would be paid for their certified indirect rates. The current state of the ICR initiative is a mandated retroactive budget cut for last year and no promise of significant funding for this year. This cut goes to the heart of nonprofit human services and spreads throughout their entire operations. **It is vital that the FY21 November Plan includes the full restoration ICR Funding for FY20 and going forward.**

Timeline of New York City's Failed Indirect Manual Rollout:

February 2019: The *Health and Human Services Cost Policies and Procedures Manual*[1] was released through the Nonprofit Resiliency Committee (NRC). This manual standardizes indirect rate definitions across human services contracts and creates a standard approach for providers to calculate an individualized rate. At the time the manual was published, the City did not increase funding to address the gaps this manual displays in human services contracts or allow for any reductions in services to account for these glaring gaps in funding. The NRC members were asked to "trust" that this was a good faith process and that providers would not be disadvantaged with this manual.

March 2019: Human Services providers strongly advocated for the City to back its implementation of the manual with additional dollars so that providers can apply their real indirect rates as part of New York City's FY20 budget.

April 2019: The New York City Council called for an investment of $106 million to fund the *Health and Human Services Cost Policies and Procedures Manual* in their FY20 Preliminary Budget Response[2]. This cost estimation of $106 million came from an estimation that the manual would increase the indirect rate to an average of 12 percent, up from ten percent.

Mayor Bill de Blasio did not add this funding into the Executive Budget, so providers continued to fight for the manual to be funded as the Mayor and City Council began their final budget negotiations.

June 2019: The Mayor and City Council committed to funding an adjustment to the Indirect Cost Rate (ICR) Funding in the FY20 Budget. No money was set aside for this initiative as part of the FY20 Adopted Budget with the intent that money would be allocated during an upcoming FY20 budget adjustment and providers would get their true indirect rate retroactive to the beginning of FY20 (June 2019).

July 2019: The Office of Management and Budget and Mayor's Office of Contract Services from a City Implementation Team (CIT) to design the implementation and roll-out of the ICR Funding Initiative that was established in the FY20 budget.[3]

October 2019: City-contracted human services providers were briefed on the City's implementation plan and the timeframes for rolling out ICR Funding Initiative.[4] As part of the process, providers were once again told that they would receive their true indirect rate on all City contracts, retroactive to June 2019 and through FY23 if they submitted all their paperwork based on the deadlines in the CIT's implementation plan.

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[1]https://www1.nyc.gov/assets/nonprofits/downloads/pdf/NYC%20HHS%20Cost%20Policies%20and%20Procedures%20Manual.pdf

[2] https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/04/Fiscal-2020-Preliminary-Budget-Response_FINAL.pdf

[3] https://www1.nyc.gov/site/nonprofits/funded-providers/indirect-implementation.page

[4] https://www1.nyc.gov/assets/nonprofits/downloads/pdf/Indirect%20Rate%20Initiative%20Follow-Up%2010.18.19.PNG

November 2019: The de Blasio Administration added a total of nearly $54 million in baselined funding to the budgets of 12 city agencies for the ICR Funding Initiative.[5] This was around half of the $106 million the City Council estimated it would cost in their FY20 Preliminary Budget Response back in April.

December 2019: Mayor Bill de Blasio and Speaker Corey Johnson officially announced that the City has launched the ICR Funding Initiative.[6]

April 2020: ICR funding for FY20 was reduced from $54 million to $34 million, which was characterized at the time as a "rightsizing" of the funding needed to fulfill FY 2020 contract submissions.[7] Providers were assured that their FY20 indirect rates would not be impacted because of this cut, despite the City's ICR funding level now being only 32% of $106 million the City Council estimated it would cost in their FY20 Preliminary Budget Response.

June 2020: The FY21 Adopted Budget included the reduced ICR funding level of $34 million for FY21, once again under the guise of a "rightsizing."[8]

August 2020: City-contracted human services providers were told that the cuts in April were a reduction, not a rightsizing, and that their indirect funding for FY20 would be cut up to 40%, despite the fact the fiscal year was over, and the money had already been spent.[9]

Providers were given no information about what this means for their FY21 contracts, despite ICR funding being underfunded at the same level ($34 million) in the FY21 Adopted Budget.

Led by Contract Chair Kallos, over 20 council members wrote to the Mayor calling for ICR funding for FY20 to be fully restored.[10] Comptroller Stringer and all five borough presidents also called on the Mayor to reverse this damaging retroactive cut. [11]

November 2020: The City announced that RFPs will continue to use the manual but have a 10% "placeholder" for indirect, so providers can only include 10% indirect in the RFP and are then supposed to negotiate later. Under the ICR Funding Initiative, all new RFPs should cover the provider's cost manual rates and no justification was given about this new policy. This effectively reverts the contracting system back to February 2019 when the *Health and Human Services Cost Policies and Procedures Manual* was released with no increased funding to address the gaps this manual displays in human services contracts or allow for any reductions in services to account for these glaring gaps in funding.

It now over four months into FY21 and providers still have not been given any information about

[5] https://www1.nyc.gov/office-of-the-mayor/news/566-19/mayor-de-blasio-releases-november-financial-plan-for-fiscal-year-2020
[6] https://www1.nyc.gov/office-of-the-mayor/news/602-19/mayor-de-blasio-speaker-johnson-city-council-the-launch-the-indirect-funding
[7] https://www1.nyc.gov/office-of-the-mayor/news/259-20/facing-unprecedented-crisis-mayor-de-blasio-budget-plan-protects-new-yorkers-by
[8] https://www1.nyc.gov/site/omb/publications/finplan11-20.page
[9] https://www1.nyc.gov/assets/nonprofits/downloads/pdf/Aug11_Indirect_Rate_Initative_Update.pdf
[10] https://benkallos.com/press-release/letter-demanding-restoration-funding-indirect-costs-non-profits
[11] https://comptroller.nyc.gov/newsroom/comptroller-stringer-calls-for-full-funding-of-indirect-cost-rate-initiative-so-non-profits-can-continue-to-deliver-critical-services/

how their indirect rates for FY21 will be affected by the reduction of funding in the FY21 Adopted Budget.

State of the Human Services Workforce:

Workers in New York City's nonprofit human services sector make less than half compared to those outside of the sector with similar credentials and experience. While the human services sector can leverage private and philanthropic dollars and funding from the City, State, and federal government to create dynamic programs at a bargain, the pay for these services needs to be sustainable. **When elected officials refuse to listen to providers and drastically undervalue the services they are contracted to provide, it is the human services workforce, which is 82% women and 80% people of color, who are disproportionately impacted[12]. New York City underfunds the direct service costs in human services contracts by at least 20% pre-COVID-19[13] and that gap is growing, creating the desperate need for funding for human services to be restored and bolstered.**

The City is not getting a deal by chronically underfunding homeless shelters, foster care agencies, food pantries, and senior centers; it is directly harming the low wage workers who keep these programs running. Eighteen percent of New York City human services providers were insolvent before New York City even saw it's first case of COVID-19[14] and 80% of the largest human services organizations have budgets that are 90% or more dependent on government funding[15]. When these contracts drastically underfund programs, set rock bottom rates per services unit, and require high mandated targets, the City is dependent on low-wage workers to fill in these gaps.

The average human services worker makes only $32,700 in New York City[16], far below what the 2019 New York City Self-Sufficiency Standard found to be required to meet the basic needs and expenses of living. The median cost for rent in New York City has gone up over 20% since 2010[17] yet in that same period the average pay for human services workers has increased less than any other low-pay industry in the City including retail, restaurants, and personal/laundry services[18]. Pay is so low that over 60% of the human services workforce qualified for some form of public assistance themselves[19].

The human services workforce has been toiling under City-contracted poverty wages long before the devastating effects of COVID-19. Then, instead of being met with tangible support, over 44,000 workers lost their jobs due to cuts to human services by the City and State and lack of support from the Federal government. **It is long past time for NYC to appropriately invest in essential human service workers whom we all rely so heavily by restoring cut funding for human services in the FY20 and FY21 budgets and finally paying human services workers them fair wages under City contracts.**

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[12] https://humanservicescouncil.org/wp-content/uploads/Initiatives/RestoreOpportunityNow/RONreport.pdf

[13] https://humanservicescouncil.org/wp-content/uploads/Initiatives/HSCCommission/HSCCommissionReport.pdf

[14] https://humanservicescouncil.org/wp-content/uploads/Initiatives/HSCCommission/HSCCommissionReport.pdf

[15] http://seachangecap.org/wp-content/uploads/2016/03/SeaChange-Oliver-Wyman-Risk-Report.pdf

[16] http://www.centernyc.org/salary-parity-in-nyc

[17] https://streeteasy.com/blog/august-2019-market-reports/

[18] http://www.centernyc.org/salary-parity-in-nyc

[19] https://humanservicescouncil.org/wp-content/uploads/Initiatives/RestoreOpportunityNow/RONreport.pdf

The Economic Impact of Cuts to the Human Services Sector:

In addition to harming an essential workforce, compounding cuts to human services cost the City more money in the long run. It is in the fiscal interest of New York City to reverse course and invest in the human services sector now so it can play a key role in the long-term economic recovery of New York City as we rebuild from COVID-19. **Programs like supportive housing, job training, and childcare help the communities most impacted by this pandemic regain their footing. In addition, human services promote positive education outcomes by offering support services such as access to food, shelter, and afterschool programs that allow families and children to focus more time and energy on education.**

Further, human services sector saves taxpayers money. One example of this is supportive housing, which was found to save New York City taxpayers a net average of $10,100 per person per year, according to the New York City Department of Health and Mental Hygiene[20]. Alternatives to incarceration, another human service provided by nonprofit organizations, similarly yield high returns on investment. New York City's Department of Correction pays $168,123 per incarcerated person annually[21], well beyond the costs of investing in alternative-to-detention programs.

The human services sector also brings millions of charitable and federal government dollars into the City and engages in extensive fundraising. Instead of this money being funneled into individual profit, it is invested right back into programs that support community development. There are an estimated 125,000 human services workers in New York City employed by the nonprofit sector and these workers buy into the local economy[22]. There is also approximately $6 billion in contracted human services programs funded by the City alone, and those dollars go into many local businesses for food service, supplies, construction, IT, transportation, and a myriad of other services that will need to recover from the impacts of this public health crisis. The economic power of the sector must be utilized as a core pillar of New York City's COVID-19 recovery.

The other side of this equation would be the continued disinvestment in human services in response to the City's budget deficit via sweeping cuts to human services and the refusal to restore funding that was slashed in FY20 and FY21, including cuts to the Indirect Cost Rate Initiative. This course of action would continue to erode vital services for communities of color, people with disabilities, and low-income communities who have already been hardest hit by this pandemic and lead to even more layoffs of essential workers.

Conclusion:

It is unacceptable that even though the November Plan increased the current year budget by $3.8 billion or 4.3%, it did not reverse the damaging cuts to human services including cuts to the ICR Funding Initiative that impacts city-contracted human services provides across their entire budgets. Cuts to ICR Funding in the FY20 and FY21 budgets deeply harmed the very

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[20] https://shnny.org/images/uploads/NY-NY-III-Interim-Report.pdf

[21] https://comptroller.nyc.gov/wp-content/uploads/documents/Correction_FY2019.pdf

[22] https://philanthropynewyork.org/news/mayor-de-blasio-can-make-lasting-change-nonprofit-living-wages-and-career-opportunities

communities in crisis the de Blasio administration claims to support. Now, human services providers on the frontlines of New York's COVID-19 response and recovery are on the brink of failure due to millions of compounding and secretive cuts throughout the pandemic and within the FY21 Adopted budget. These cuts will make it even more difficult for providers to rebuild communities as we recover from COVID-19. **The FY21 November Plan must be modified to include the full restoration ICR Funding for FY20 and going forward.**

Thank you Chair Dromm for providing me with this opportunity to testify. We greatly value our partnership with you and the City Council and know you stand with us in our call to address the funding crisis facing our City's human services sector.

Michelle Jackson, Executive Director
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Testimony Opposing the Extension of the NYC Tax Lien Sale (T2020-6944)

New York City Department of Finance Hearing, Wednesday December 9, 2020

I am writing on behalf of the Association for Neighborhood and Housing Development (ANHD). ANHD is a nonprofit coalition of 80 neighborhood-based community organizations whose mission is to build community power to win affordable housing and thriving, equitable neighborhoods for all New Yorkers.

ANHD is a member of the Coalition for Affordable Homes convened by the Center for NYC Neighborhoods.[1] CAH represents 30 neighborhood-based organizations that are committed to creating and preserving affordable housing, including affordable homeownership for Black and Brown, working-class New Yorkers. ANHD also convenes the Equitable Reinvestment Coalition, which is dedicated to holding financial institutions accountable for the wealth and racial inequities they helped create and continue to perpetuate.

I am writing today to oppose the extension of the tax lien sale for small homes and condos, and instead revise the system to ensure a more equitable tax collection regime to protect homeowners. This is important at any time, and especially now during a global pandemic, which will impact the lives of New Yorkers for months and years to come. Like nearly every other aspect of the pandemic, from sickness and death to loss of income to rent burdens, the tax lien sale disproportionally impacts Black and Brown New Yorkers. The Center for NYC Neighborhoods mapped out the loans eligible for the tax lien sale, demonstrating much higher concentrations in communities of color, such as Jamaica, Queens and East New York and Canarsie in Brooklyn. Each year, the City sells the liens of properties with unpaid debts, including property taxes, water bills, and sewer bills. These liens are sold to third-party collection agencies that can add fees and interest of up to 18%, compounded daily, which financial burdens those who can least afford it, and in some cases, leads to foreclosure.

The proposed bill, T2020-6944[2], reauthorizes the lien sale with exemptions for people impacted by COVID. While the intent of the exemptions is laudable, we have seen from similar programs that such burdens of proof mean fewer people receive relief they need. A recent example is the state's rent relief program that has disbursed just 40% of total CARES dollars for rent relief – rejecting 57,000 applicants – at a time when homelessness is on the rise, unemployment is at historic highs, unemployment insurance is due to run out for many, and the total need for rent relief far exceeds the amount allocated in the first place.[3]

We support The Coalition for Affordable Homes coalition's framework for a more equitable tax collection system for small homes and condos in NYC:

1. **Dramatically Increase Outreach for Homeowners who Fall Behind on their Taxes:** Robust, timely outreach to property owners who fall behind on their property taxes will negate the need for long-term debt collection on many properties.
2. **The City Should Directly Service Delinquent Property Charges:** Rather than sell to a private trust, the City should retain control of overdue property charges and their collection.

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[1] https://coalitionforaffordablehomes.org/

[2] https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=4725354&GUID=F95E1AFE-3280-470E-B06D-F96DBE058CA5&Options=&Search=

[3] https://gothamist.com/news/ny-sitting-60-million-federal-rent-relief-weeks-spending-deadline

3. **Use In Rem Foreclosure for Properties That Meet Clear Delinquency Thresholds,** with longer timelines for owner-occupied homes. There must be strong anti-displacement protections for tenants and vulnerable homeowners such as seniors, disabled individuals, and veterans.
4. **Create Pathways to Transfer Foreclosed Properties to Permanently Affordable Housing.** Mission-driven organizations must have the first opportunity to purchase distressed properties for affordable housing. Examples of such organizations include mission-driven nonprofit developers, community land trusts, and mutual housing associations.

Thank you for the opportunity to comment. Please do not hesitate to reach out if you have any questions or comments. I can be reached by email (Jaime.W@anhd.org) or phone (718-637-3054).

Sincerely

Jaime Weisberg
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Testimony by The Legal Aid Society

Before The New York City Council Committee on Finance

Reauthorizing the City's Tax Lien Sale

December 9, 2020

Founded in 1876, The Legal Aid Society is the oldest and largest provider of free direct legal services to low-income families and individuals in the United States. Operating from 26 locations in New York City with a full-time staff of over 2,200, the Society handles more than 300,000 individual cases and legal matters each year. The Society's law reform representation for clients also benefits some two million low-income families and individuals in New York City through impact litigation addressing a broad range of housing and benefit issues.

The Legal Aid Society has been at the forefront of advocating for the rights of homeowners at the City, State, and local levels since 2000 through our Foreclosure Prevention and Home Equity Preservation Project. Since the its inception we have assisted homeowners by challenging abusive lending and real estate practices in state and federal court, defended homeowners in foreclosure actions, and, since 2008, advocated for loss mitigation at court-mandated settlement conferences. We provide

Citywide community outreach and education, particularly focused on Queens and the Bronx, where we have assisted hundreds of homeowners at weekly court-based clinics.

We appreciate the opportunity to testify today on the important issue of reauthorizing the tax lien sale and thank the Committee on Finance for convening this important hearing. We oppose reauthorizing the tax lien sale without further protections for owner-occupied one to three family homes which is detailed below.

While in the midst of a global Pandemic where as a result home foreclosures will be on the rise, reauthorizing New York City's yearly sale of tax liens without adequate protections for the City's most vulnerable will further exacerbate this crisis by putting several thousand low income, elderly, and disabled homeowners at risk of losing their home.

Although the bill reauthorizing the tax lien sale provides for some carveouts to protect those who have been affected by Covid-19, it fails to also protect the thousands of low income, elderly, and disabled homeowners who live in their one to three family unit homes but do not fall into the specific parameters set forth in the bill.

Particularly, this bill's one-year exemption is far too limiting where it only provides the exemption to those affected by Covid-19 and only those properties with an assessed value of $250,000 or less. Most would not even qualify for this exemption because our City's home values have significantly appreciated throughout recent years and a homeowner affected by Covid-19 would likely have an assessed home value of more than $250,000.

This legislation leaves out the thousands of low-income homeowners who may not have been affected by Covid-19 but who need further protections. Many of our elderly homeowners are "house rich and cash poor", where their home values have risen while their incomes have significantly fallen. Many seniors have either paid off their mortgages and no longer pay their taxes to the lender as part of their monthly payments or may have taken out Reverse Mortgages where they are required to make their property tax payments on their own. However, many seniors are living on limited fixed incomes and cannot afford to make their property tax payments any longer. Many rely upon rental income and family contributions, which leave them vulnerable to abuse in the form of tenants failing to pay their rent or family members financially taking advantage of them which further places them into financial distress. Although low-income seniors are eligible for property tax exemptions, many elderly homeowners are not made aware of such programs, do not know how to apply, are confused by the process, miss deadlines, and therefore do not apply to be removed from the tax lien sale even though they would be eligible. Making it even more difficult navigate, eligible homeowners can only apply once a year to qualify for such exemptions for the next fiscal year.

There are also thousands of non-senior low-income homeowners who rely upon rental income to pay for the property taxes and other bills associated with their one to three family unit homes. The Pandemic and its economic consequences have devastated these homeowners who are no longer receiving rental income. The City must protect and exempt from the tax lien sale owner-occupied one to three family unity homes.

Instead of reauthorizing the tax lien sale through this legislation, the City should consider implementing the following ideas:

The City should dramatically increase its outreach for homeowners who have fallen behind in their property tax payments, including sending timely notices with detailed information about the various options and resources available with a list of legal services and housing counseling organizations. These notices should include information on how to apply for a repayment plan, property tax exemptions, or for other city programs including HRA One Shot Deals. The City should allow for a relaxed deadline for elderly and disabled homeowners to apply and renew property exemptions. There should be an increase of funding and coordination of on-the-ground community organizations in an effort to reach homeowners sooner and the City should increase its funding and capacity of the Office of Taxpayer Advocate.

The City should directly service delinquent property charges instead of selling the liens to a private trust. There should be a lower interest rate for owner-occupied properties and a higher interest rate for non-owner-occupied properties. Notices should have clear language that interest is added to property charges when they are past due. Further, homeowners who previously defaulted on payment plans due to adverse circumstances should be able to continue to have access to payment plans and other loss mitigation options.

Most importantly, the City should not allow tax lien foreclosures to displace vulnerable homeowners such as the elderly, disabled, and veterans because their debts can be repaid to the City upon the sale or refinance of their homes. Additionally, owner-occupied and non-owner occupied homes should have different foreclosure timelines, where non-owner-occupied and investor-owned properties should become eligible for foreclosure first. Foreclosure notices should be provided to homeowners well in advance of the sale and should be sent also to nonprofit organizations and local Council members so that additional outreach to those homeowners can be done.

The Legal Aid Society believes that the City should not to reauthorize the tax lien sale without these protections, especially without providing an exemption for owner-occupied one to three family homes. We commend the City Council for considering this important issue as it affects low-income homeowners of New York City and thank you for the opportunity to testify today.

Respectfully submitted by

Jennifer N. Levy

Staff Attorney of the Foreclosure Prevention Unit

Boris Santos
Treasurer of the East New York Community Land Trust
NYC Council Finance Committee Testimony
December 10, 2020 1pm

Subject: Abolish the Tax Lien Sale – Do Not Reauthorize

Today or December 17 could be sad days in the history of the NYC Council. For what we know is that a bill T2020-6944 has been introduced which would extend the predatory tax lien sale until 2024. The only exemption this bill gives is to Class 1 Property Owners (owners of 1-3 unit homes) with a home of an assessed value of $250K and whom has experienced financial distress and has income less than $150K. To say that that exemption – the only exemption – that has been inserted in a reauthorization bill is ***restrictive*** is not an understatement. That exemption is only to take place for the 2021 lien sale. Most of the Black and Brown small-homeowner communities notoriously harmed by the lien sale have a property with an assessed value higher than $250K. The lien sale program, which was originally set to expire in 1997, was extended in 1997, 1999, 2001, 2004, 2006, 2007, 2010, 2014, and 2017 is bad policy and should not be allowed to continue as is being proposed "at the request of the Mayor" right now.

The following are the reasons as to why this reauthorization bill should not move forward for a vote:

- The Abolish the Tax Lien Sale Coalition has met with Council Finance and various Council Members and has requested meetings with more (many who have not gotten back to us) about alternatives to the private trust model that exist today. In fact, we have spoken about this during a *NYC Tax Lien Sale Think Tank* hosted by Council Member Adams on October 19th. In fact, members of our coalition have written a report laying out alternatives to the current private-investor-friendly model. I make this point to debunk any perspective one may have about us just shouting out "Abolish the Lien Sale without providing any alternatives toward the existing model". That is not the case.
- Approving this reauthorizing bill runs counter the strategy that we have been putting in practice with regards to the 2020 lien sale. The Governor has postponed that sale (after doing so several times prior through Executive Order) until the new year because, after all, we are in the middle of a pandemic that has wreaked fiscal catastrophe. Postponing that sale further will also be something the State Executive further considers. So why are we aiming to reauthorize future sales when we have not even settled on what to do with 2020 lien sale?
- Lastly, there should be no reason for why this should be extended until 2024. City voters are to elect a new City Council along with a new Mayor by 2021. They should get the right, after being newly elected, to determine the future of any new lien sale. This is common sense.

I am disappointed and heartbroken by the actions of the City Council body right now as the reauthorizing ball rolls along, but that does not mean that we do not yet have a chance to do the right thing and make sure no future sales are reauthorized. Thank you.

“Commodifying our communities:”

The case for abolishing NYC’s tax lien sale and prioritizing community land trusts in a new tax collection and property disposition system

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November 2020

NYC community land initiative

Fighting for vibrant, equitable and sustainable housing and neighborhoods through community ownership of land

Introduction

New York City's tax lien sale accounts for a vanishingly small percentage of the City's overall property tax revenue: the sale brings in, on average, less than $70 million annually[1], relative to the roughly $30 billion that the City collects in property taxes each year. But the practice of selling municipal debt to a private, investor-backed trust fuels speculation and displacement in Black and brown neighborhoods, and siphons wealth from communities already disproportionately harmed by historic inequities like redlining and disinvestment. A citywide coalition convened by the East New York Community Land Trust is calling on the City to abolish the tax lien sale, and develop an alternative system of tax collection and property disposition that promotes neighborhood stability and equity through supporting community land trusts (CLTs).

This memo provides a brief introduction to CLTs and proposes alternatives to the lien sale that prioritize CLTs, in partnership with mission-driven, nonprofit developers, as both resources for vulnerable homeowners and recipients of foreclosed properties. The tax lien sale is a missed opportunity to preserve land and housing for permanent public benefit at a time when it is most sorely needed. In the wake of COVID-19, the city must invest in proven community-led institutions, like CLTs, to stem evictions, foreclosures, and speculation, and to promote an equitable recovery in Black and brown neighborhoods hardest-hit by the pandemic. Abolishing the tax lien sale is a critical step toward this goal.

Negative effects of the lien sale on NYC communities of color

An analysis from the Coalition for Affordable Homes found that the City was six times more likely to sell liens on one-to-three family homes in majority Black neighborhoods, and twice as likely to sell liens in majority Latinx neighborhoods, than in majority white neighborhoods. Once sold, high interest rates and fees cause debts to quickly balloon; on average, debts increase by 65 percent. And when property addresses are published on the lien sale list, vulnerable homeowners are targeted by speculators and predatory buyers, who pressure them to sell before they ever have the opportunity to work out their debt with the City.[2] In addition to harming homeowners, the lien sale hurts tenants in distressed multi-family buildings that appear on the list year after year, with no real consequences for negligent landlords. The negative effects of the lien sale on NYC's Black and Latinx communities far outweigh the minimal revenue it brings to the City. "It's a Wall Street entity making money off the backs of communities of color during a pandemic," said Al Scott, member of the East New York Homeowners Association and East New York Community Land Trust[3]. "They are commodifying our communities."

Eliminating the private, investor-backed tax lien trust from NYC's municipal debt collection toolkit will create opportunities to stabilize communities by (1) keeping homeowners in their owner-occupied homes, (2) intervening on behalf of tenants with delinquent landlords and (3) expanding the pipeline of

[1] Furman Center. (2015). Selling the Debt: Properties Affected by the Sale of New York City Tax Liens, citing Department of Finance Testimony at City Council Hearing on Legislation to Extend the City's Authority to Sell Tax Liens. New York City Council (2015, January 8).

[2] Coalition for Affordable Homes. (2016). Compounding Debt: Race, Affordability, and NYC's Tax Lien Sale.

[3] Senzamici, P. & Dikanovic, A. (2020). Council Considers Killing the Tax-Collection Machine Rudy Giuliani Built. *The City* (October 22).

properties that can be used to preserve and develop new permanently affordable housing. As community-led nonprofits dedicated to the stewardship of land for permanently affordable housing and other critical community needs, community land trusts (CLTs) are ideally positioned to work with the City and other mission-driven, nonprofit developers to achieve these key goals.

What are community land trusts?

Community land trusts (CLTs) are community-controlled nonprofits that own land and ensure it is used to provide permanently-affordable housing and meet other critical community needs. CLTs typically issue 99-year, renewable ground leases that lay out affordability requirements and other terms for the buildings on CLT land. CLTs promote democratic governance and community decision-making over development through ongoing organizing and their board structure. Most CLT boards strive for a balance of people who live or work on CLT land, members of the surrounding community, and public stakeholders--such as advocates and technical assistance providers--with a professional interest in the success of CLTs. CLTs are, therefore, flexible, and can be used to preserve multifamily rental housing, multifamily cooperative housing, single-family housing with deed and resale restrictions, and even commercial and community properties with specifications for use and below-market rents.

Where have CLTs been used effectively, and at scale?

The national CLT landscape includes over 225 CLTs comprising around 35,000 units of permanently affordable housing,[4] along with community spaces, urban gardens, and more, in rural and suburban communities as well as hot-market cities like Boston, Los Angeles, San Francisco, and Seattle. The Champlain Housing Trust in Burlington, Vermont, is the nation's largest CLT, with 2,000 units of housing across three counties. Formed in the early 1980's under the mayoral administration of Bernie Sanders, Champlain Housing Trust has stewarded a range of housing types, from emergency shelters and supportive housing to mobile home parks, nonprofit rentals, limited-equity cooperatives, and deed-restricted, shared-equity single-family housing. It also stewards sites with commercial uses and social services, as well as open space and parks.

In New York City, Cooper Square CLT on Manhattan's Lower East Side has successfully preserved 21 affordable buildings, including 328 deeply affordable homes and 23 commercial storefronts, since its

[4] Boone, C. & Roseland, M. (2020). What Community Land Trusts Can Do for Racial Equity. *Yes! Magazine* (September 17).

founding in 1994. Residential units include a mixture of HDFC cooperatives and rentals, and are affordable to people earning 28-36% AMI; commercial units are rented at below-market rates that support a retail mix of small businesses and arts organizations valuable to the neighborhood, while cross-subsidizing lower residential rents. Cooper Square CLT's stewardship mission is further strengthened by working closely with the Cooper Square Mutual Housing Association, which owns and manages buildings on CLT land, and the Cooper Square Committee, which provides tenant organizing and other support to the broader community.

Role of CLTs in a new tax collection and property disposition system

Numerous CLTs have developed relationships with local governments to address foreclosure and property disposition in diverse ways. Abolishing the tax lien sale would advance three critical affordable housing and equitable development goals: prevent displacement of vulnerable homeowners, support tenants and the preservation of affordable units, and expand the pipeline of properties for new development.

Prevent displacement of vulnerable homeowners (Class 1 and small Class 2 properties)

Tax Class 1 properties include residential buildings of one to three units, while Class 2 consists of residential properties with more than four units. Owner-occupied Class 1 and small Class 2 buildings (e.g., four-to-six units) without significant liens could be offered a payment plan. Properties in significant arrears could be offered a write-down of the debt in exchange for preservation of continuous occupancy and preservation of the housing as affordable after vacancy, as we see in the Minneapolis program. For example, prior to any foreclosure proceeding by the City, owners could be offered to instead sell land from under their houses to a CLT, or offered a regulatory agreement. This is also an attractive option for Class 1 properties whose owners are the primary residents, but who have tenants in secondary units. As in Minneapolis, a CLT could buy the underlying land and facilitate a mortgage refinance based on the value of the improvements[5].

If owners are unable to settle debts to the City, the City can initiate foreclosure in the State Supreme Court. Owners will have the chance to defend in court if, for example, the debt was charged in error. If the court grants the City foreclosure, the City will become the owner of the property and can work to transfer the land to a CLT in order to preserve continuous occupancy or to find a new buyer at a target affordability level. A program such as this could work more like the Boston Neighborhood CLT program, in which the original owner might have the option to remain a tenant--in which case, the home could be owned as a rental by a nonprofit owner--or to repurchase the property at far more favorable rates, but subject to strict resale limitations per the CLT ground lease. The key is that foreclosure, either on a mortgage or municipal debt, need not lead to displacement.

Unoccupied buildings could be treated the same way as vacant lots: foreclosure proceedings could be expedited and properties added to the pipeline for the development of affordable housing and other uses if owners do not settle debt or successfully defend the foreclosure in court.

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[5] In this model, the appraisal of the land and the financing of the purchase would require (1) understanding that the land value will have changed; and (2) access to financing. In situations in which the home is owned by the primary resident free and clear, this process becomes simpler. In both cases, the home will be subject to the CLT's shared equity restrictions.

Single-family case examples

The Oakland CLT in Oakland, CA, partnered with the City government to preserve 17 real estate-owned (REO) homes using funds from the federal Neighborhood Stabilization Program. While this number fell far short of the original goal of 200 homes, a study[6] of the program found that the failures lay largely with the City and other partners, including a real estate marketing firm that did not support CLTs, as well as a rapidly changing market for REO properties[7]. Oakland CLT's experience underscores the need for strong city support and collaboration with CLTs to ensure success.

In Minneapolis, MN, the City of Lakes CLT developed its Sustained Legacy Program to purchase land from under the houses of owners threatened with foreclosure. Here, the CLT is concerned mainly with keeping seniors in their homes and then converting the homes to shared equity properties once they are vacated. The CLT's ability to choose which homes to take on and set clear parameters around purchases is important to its success; for example, the total outstanding loans on a home cannot exceed $50,000. Access to capital is also key: having merged with Minneapolis Neighborhood Housing Services, City of Lakes CLT is also a community development financial institution (CDFI) and has access to federal CDFI funds, which means that it can provide the financing for these projects.

Similarly, the Boston Neighborhood CLT focuses on occupied homes in foreclosure, with the goal of preserving continued occupancy. The CLT recently acquired its first four buildings comprising 15 homes, and intends to separate title to the land and transfer the housing to a third party for a year while any needed repairs are completed and the homeowner stabilizes their finances. After the year, the occupant can either buy back the property or rent from the nonprofit owner. In addition to working with local lenders to develop a loan product to allow homeowners to repurchase their homes, the CLT worked with city agencies and banks to acquire its first buildings.

In NYC, the Interboro CLT, a partnership of the Center for New York City Neighborhoods, the Mutual Housing Association of New York (MHANY), the Urban Homesteading Assistance Board (UHAB) and Habitat for Humanity New York City, is working with a set of single-family homeowners and a cooperative in foreclosure in order to preserve continued occupancy by buying the land under the housing and refinancing the homes with lower monthly charges. This approach is much like that of City of Lakes CLT, but unlike City of Lakes, Interboro does not have immediate access to CDFI financing.

Support tenants and preserve affordable housing (larger Class 2 properties)

Class 2 properties with more than six units that are not owner-occupied and have significant liens should be directed to community stewardship entities, such as CLTs, to improve living conditions for tenants and preserve affordable housing. Many larger Class 2 properties are part of much larger portfolios--and frequently multiple buildings in these portfolios enter the tax lien sale. For example, in zip codes 11207 and 11208, 24 of 90 buildings in the tax lien sale from 2014 to 2019 were owned by landlords with

[6] Yelen, J. (2017). Community Land Trusts as Neighborhood Stabilization: A Case Study of Oakland and Beyond (Master's thesis, University of California Berkeley, Berkeley, CA).

[7] Other CLTs that have used the Neighborhood Stabilization Program to acquire REOs include City of Lakes CLT in Minneapolis, MN; Newton CLT in Tempe, AZ; Pima County CLT in Tucson, AZ; and Proud Ground CLT in Portland, OR.

multiple other properties in the lien sale. In nearly all cases, moreover, the buildings have significant numbers of housing violations. For these properties, the city could exercise its *in rem* foreclosure power on an expedited timeline. Buildings could then be placed into HPD programs for disposition to community stewardship entities. Alternatively, the city could create a land bank tasked with acquiring property to develop, rehabilitate and preserve affordable housing, for eventual disposition to CLTs and other other mission-driven, community-led nonprofits committed to permanent affordability and meaningful community control. Comptroller Scott Stringer and Council Member Brad Brad Lander have both introduced proposals for land banks,[8] and NYCCLI is exploring these and other proposals.

Unoccupied larger Class 2 buildings could be treated the same way as vacant lots: foreclosure proceedings could be expedited and properties added to the pipeline for the development of affordable housing and other uses if owners do not settle debt or successfully defend the foreclosure in court.

Multi-family case-examples
NYC already has a successful track record of disposing multi-family tax-foreclosed and other city-owned properties for rehabilitation and stewardship to tenant cooperatives or nonprofits, including CLTs. Cooper Square CLT and MHA's success was made possible by strong community organizing and the city's commitment of tax-foreclosed and other city-owned properties. Cooper Square CLT acquired its buildings after they had been held in city ownership for decades, pursuant to urban renewal plans that never came to fruition. The MHA and CLT were formed under a special program of HPD's Division of Alternative Management Programs (DAMP) and had access both to funds from the range of DAMP subsidy programs, and cross-subsidy funds from the sale of several large lots in the neighborhood for market-rate development. Along with the no-cost transfer of city-owned properties to the CLT, capital subsidies were key to keeping the CLT-MHA apartments deeply affordable to residents. This public investment of land and resources will be protected in perpetuity.

Similarly, the East Harlem El Barrio CLT will soon close on its first preservation project, which consists of four multi-family buildings in East and Central Harlem. Established in 2014 as a demonstration project of the New York City Community Land Initiative, the East Harlem El Barrio CLT is working with developer partners Banana Kelly and CATCH to acquire and rehabilitate the properties, which came into long-term city ownership due precisely to the city's use of *in rem* tax foreclosure. Following Cooper Square's model, the East Harlem El Barrio CLT will own the land under a scatter-site mutual housing association, which will eventually become majority-resident-controlled.

Expand the pipeline of properties for new development (vacant lots and unoccupied buildings)
Vacant and underutilized City-owned land is an increasingly scarce resource in NYC, partially because of the City's move away from the use of *in rem* foreclosure and reliance on the tax lien sale. Vacant lots and parking lots sold through the lien sale are a missed opportunity to add new units of permanently affordable housing and other development that meets community needs. Between 2008 and 2015, 62 vacant lots and parking lots in a residential zoning district or a commercial zoning district that permits

[8] See: Office of the New York City Comptroller Scott Stringer. (2016). Building and Affordable Future: The Promise of a New York City Land Bank and NYC Council Int. 0118-2018.

residential uses were foreclosed on by the tax lien trust and auctioned,[9] moving those properties to private speculative ownership. The October 2020 lien sale list contained 93 vacant lots with residential zoning that allow for new construction of 2,500 square feet or more (equivalent to approximately three two-bedroom units).[10] Together, these lots represent 934,820 zoning square feet--enough to build approximately 1,000 units of affordable housing. By preserving its leverage over these vacant properties and parking lots, the City can significantly increase the supply of permanently affordable housing.
For vacant lots, the City could expedite initiating *in rem* foreclosure proceedings. Properties could become eligible for foreclosure once there is more than $5,000 in municipal debt that is more than 12 months past-due. If property owners do not settle municipal debts or defend the foreclosure successfully in court, a foreclosure judgement would be issued and the City would become the owner of the properties in fee simple. The City would then add these properties to its inventory of lots available for development by mission-driven, nonprofit developers partnering with CLTs to preserve affordability.

Local CLT capacity

More than 15 CLTs have organized across NYC, from the South and Northwest Bronx, East New York and Brownsville to Jackson Heights, Staten Island's North Shore, and other Black, Latinx, immigrant, and low-income neighborhoods. In addition to being some of the hardest-hit by COVID-19[11], these neighborhoods bear a disproportionate share of Class 1 tax lien sales. Roughly 30 percent of all the parcels in the lien sale between 2015 and 2019 were in just 10 City Council districts in the Bronx and Brooklyn;[12] for Class 1 properties on the 2020 lien sale list, nearly half are located in 10 City Council

[9] Office of the New York City Comptroller Scott Stringer. (2016). Building and Affordable Future: The Promise of a New York City Land Bank (citing data provided by the Department of Finance on October 1, 2015)
[10] New York City Department of Finance. (2020). 2020 Lien Sale - Listing of Sale Eligible Vacant Land (as of October 16, 2020)
[11] Afridi, L. & Block, L. (2020). Frontline Communities Hit Hardest by COVID-19. Association of Neighborhood & Housing Development
[12] Calculations based on data from the NYC Council Finance Division staff.

districts in Southeast Queens, Brooklyn, and Staten Island's North Shore.[13] The geography of tax lien sale properties is therefore generally well-matched to local CLT organizations.

NYC CLT organizations have developed capacity to acquire property, including through participation in an intensive two-year training initiative called the CLT Learning Exchange.[14] With additional support from the NYC Council CLT discretionary funding initiative launched in FY 2020, CLT groups have led intensive community organizing and education efforts, conducted participatory property research, developed local leadership of their CLT boards and steering committees, and more. Council discretionary funding has also supported technical assistance to CLTs, including transactional legal support provided by TakeRoot Justice and community education and outreach support provided by New Economy Project and City College. CLT organizations are also exploring potential partnerships to support their work: many CLTs envision their role as primarily a land stewardship and community organizing entity, and intend to partner with existing mission-driven, nonprofit developers for rehabilitation and ownership of buildings on CLT land, for example. The NYC Community Land Initiative coalition is facilitating collaboration and coordination between NY CLTs, and educating nonprofit developers, funders, and other stakeholders on the CLT model to support future partnerships.

Whether the city creates a new entity like a land bank or reforms existing city agencies and programs to manage the disposition of properties that come into city ownership, it will also need to support CLT organizing, technical assistance, operating subsidies, and capital financing for construction and rehabilitation, particularly given the distressed condition of many properties in the lien sale.

<u>Enforcing property tax payments without the lien sale</u>

Despite the city's claim that the lien sale is an enforcement mechanism, properties that cycle through the lien sale year after year demonstrate that this practice does not incentivize all owners to pay their property taxes, particularly for multi-family buildings and larger portfolios in neighborhoods where real estate values are rising. In neighborhoods such as East New York and Brownsville, for example, a 4-unit building that is part of a 30-building portfolio may have doubled in market value in the last five years (see, e.g., 740 Sutter Avenue). Appreciation on this scale is more than enough to more than offset the back taxes, interest, and fees should the landlords sell the building. In these cases, the tax lien sale effectively functions as a high-interest loan to landlords with poor records of maintaining decent living conditions for tenants: landlords defer payment of municipal charges while their properties continue to rise in value, knowing they can sell their buildings, pay off their debts, and still make a profit.

The ongoing economic impacts of COVID-19 may change this calculus, as owners can no longer count on speculative value projections and may accrue additional debt as more and more tenants struggle to pay rent. In anticipation of this real estate downturn, private equity and other investors are already raising funds to purchase distressed properties[15]. The City must take swift action to promote the transfer of such properties to community stewardship, rather than to speculative buyers. Replacing the lien sale with *in rem* foreclosure and disposing of foreclosed properties to CLTs and similar entities--along with

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[13]Kully, S. A. (2020). [Which Neighborhoods Could Be Hardest Hit By the Lien Sale?]() *City Limits* (August 26)

[14] The NYC CLT Learning Exchange ran from 2017-2019 and was supported by the NYS Attorney General, HPD and Enterprise Community Partners and coordinated by New Economy Project.

[15]Hornbach, C.; Mironova, O.; Stein, S.; and Udell, J. (2020). Corporate Windfall or Social Housing Conversion? The looming mortgage crisis and the choices facing New York. Community Service Society

passing and funding Community Opportunity to Purchase legislation[16] to give qualified nonprofits a right of first offer and a right of first refusal in multi-family residential building sales--are two policies that can work together to achieve this goal.

PROPERTY TAX COLLECTION WITHOUT LIEN SALE, PROPOSED WORKFLOW

T*ext in italics* is proposed variations on NYC's current system of municipal debt collection.

1. The City sends bills for water, property taxes, emergency repairs
2. When bills aren't paid, the City sends threatening letters and adds interest
    a. The City does outreach to property owners, who have a chance to correct billing errors with the City
    b. Interest rates:
        i. Current law (these are the rates that both the City and the lien trust charges) - uniform for all property:
            1. 7% interest for properties assessed under $250K, interest compounds daily
            2. 18% interest for properties assessed over $250K, interest compounds daily
        ii. The City could create new escalating interest rates over time, or different interest rates based on tax class, building size or property use, e.g. higher rates for unpaid dept on vacant land
3. *After a threshold of time / money is passed, the City can offer the property owner a resolution that includes transferring deed to land to non-profit CLT (the owner keeps the improvements) (a deed in lieu of municipal debt payment per NYC Admin Code § 11-422) or signing a regulatory agreement*
4. *If the owner does not accept the offer,* the City can start a court case to foreclose. *During the foreclosure case, the City can again offer the property owner a resolution to the foreclosure that includes transferring deed to land to non-profit CLT (the owner keeps the improvements) or regulatory agreement.*
5. If the City wins its foreclosure case in court, the City decides what to do with the property: keep, sell, transfer to someone else
    a. The City can keep the properties in its inventory, either through an existing agency *or by creating a land bank.*
    b. The City can transfer them to another owner, e.g. a non-profit developer partners with a community land trusts that will work with current residents to create permanently affordable housing and keep existing residents as tenants.
        i. Distressed apartment buildings could continue to go through HPD's Third Party Transfer (TPT). *CLTs could be added to TPT program.*
        ii. Small homes (1-6 unit) could be directed to CLTs without a developer partner

[16] See NYC Council Int. 1977-2020

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Thank you honorable Councilmembers and City agency officials for your hard work on behalf of all New Yorkers and hope everyone is remaining safe and healthy. I serve as the Deputy Mayor of my township in New Jersey and realize how hard these times are to govern.

Indeed, the tax lien is an important, effective and necessary mechanism used to assure fair payment by all and as a way to properly allow the City to run financially. Furthermore, the proposals, promises and hopeful cooperation amongst the agencies and governmental bodies is of course needed and we look forward to its eventual implementation

Our issues is with the Water aspect of the tax lien. The water lien was a slow migration into the main tax lien process that began in 1996. When finally merged fully into the DOF tax lien sale in 2008, many changes were proposed and implemented. Throughout this process, two important DEP matters remained steady

1- The DEP CIS system remained an opened system to the public
2- The DEP Ombudsman, Patrick Giagnacova, ran a fair Management analysis unit open to helping guide all potential lien eligible homeowners. The Ombudsman plan focused on compassion. He would state that his goal was for not one lien to be sold, but rather every debtor be given a fair chance to pay what he was accurately due.

Accuracy is the key here.

Since the Ombudsmans retirement, the payment agreement, a very fair agreement offered by the DEP, and detailed today by the Director of OMB, was modified to include one very important line, and I quote "By signing below, you indicate your acceptance of these terms and agree that the charges on this account are valid and cannot be disputed

In the last year DEP has shut out public access to their system. While NYC agencies and the administration has pushed ahead with its world class NYC Open data, with top notch access to buildings, housing and finance databases, DEP has gone backwards in time and locked out everything but balances.

So now a lien notice is sent out, bills are inaccurate, full of penalties and interest, and information is severely limited. Rather than work with the customer, DEP comes in as a superhero, as the Director said, and offers a ZERO DOWN PAYMENT AGREEMENT. Just sign here and all your troubles are gone. No money needed now!

But it's a trap- you cannot fight the bill after. But you must deal with it now. But you cannot get help from an attorney, relative, community group or consultant, because they are all locked out of the system. FOIL requests take six months to be fulfilled. But the lien sale is 90 days….

A trap. But at least the DEP has their millions

This, Honorable Council, must change.

OPEN UP ACCESS TO ALL, as has been the case for decades.

NEW YORK WATER MANAGEMENT INC.

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TAKEROOT
JUSTICE

Testimony to the NYC City Council

Committee on Finance

On Pre-considered Intro on Tax Lien Sale

December 9, 2020

Good afternoon. My name is Paula Segal. I am speaking today as Senior Attorney in the Equitable Neighborhoods practice of TakeRoot Justice. TakeRoot works with grassroots groups, neighborhood organizations and community coalitions to help make sure that people of color, immigrants, and other low-income residents who have built our city are not pushed out in the name of "progress." We work together with our partners and clients to ensure that residents in historically under-resourced areas have stable housing they can afford, places where they can connect and organize, jobs to make a good living, and other opportunities that allow people to thrive.

Thank you so much for the opportunity to comment on potential language for a bill reauthorizing the city's lien sale. I am here today with a simple message on behalf of our partners, our clients and TakeRoot: the Council should not re-authorize the City's Lien authority. It's time to put Rudy Giuliani's ghosts to bed.

The behavior of the tax lien trust administrators through the pandemic is illustrative of the anti-civic and anti-New Yorker attitude of the Tax Lien Trusts. Since courts re-opened for new cases this summer after being closed in March 2020 as part of the Governor's PAUSE, the Tax Lien Trusts have initiated over 1125 new foreclosure cases across the City.[1] These cases were all started, and continue, despite the fact that mortgage foreclosures are prohibited as a way of protecting families from losing their homes during to the pandemic. I want to caution to Council about what the number the Department shared earlier – I gathered that Deputy Director Shear shared that there had been 26 judgements of foreclosure resulting from the 2017 lien sale. That number does not reflect foreclosure cases initiated where the owner resolved before a judgement from the court; such resolutions frequently include the sale of the property. This

[1] These actions were filed by the different Lien Trusts, some going back as far as 1998; 124 of them were filed by the 2019 Tax Lien Trust.

number also does not include the liens sold in 2017 that have not yet been filed as foreclosure actions. My review of the court's records this morning confirms that liens sold as long ago as 1998 are just this year having foreclosures initiated.

The City is able to turn a blind eye to the predatory behavior of the trust because it simply does not collect information about it. Despite multiple requests, including requests made by the staff of this Committee and by Committee members today, the City has never been able to provide information about post-lien sale outcomes for property owners. The City cannot answer very basic questions: "Do properties get flipped as a result of the Lien Sale before foreclosure is initiated by the Trust?" "What percentage have a foreclosure action started against them by the Trust?" "How many sell at a lower than market price as opposed to facing the Trust in court?" "How many foreclosures result in judgments?" "What is the value of post-foreclosure remainders and how frequently they are claimed, if ever?" "How much money do property owners pay to the Trust and its investors above the amount of arrears that the owner owed at the time of a sale, enriching the Trust's investors?"

As Council Member Adams noted today, the City is quite capable of collecting debt in arrears without a lien sale: since Governor Cuomo postponed the 2020 lien sale in August, the Department of Finance has successfully resolved the debts of nearly 6,000 property owners; their properties are presumably off the list because they have entered into payment plans, fully paid the arrears or been determined to have been included on the list in error. As Commissioner Jiha explained to the Committee today, this reduction took only *time and* labor by Department of Finance and City Council staff.

To address the Commissioner's comments before you directly: not selling debt to a third party at a discount is simply not "relief," and characterizing the carve out in the proposed reauthorization that way is misleading.

In addition to threatening low-income BIPOC homeownership, the Lien Sale lets opportunities to stabilize affordable multi-family housing slip and cedes vacant land in our neighborhoods to investors. Our office is part of the New York City Community Land Initiative and counsel to several of the Community Land Trusts whose representatives are also testifying before the Committee today, likewise calling for the abolition of the Lien Sale. Community Land Trusts stand by to work with the City to help transform multi-family buildings with irresponsible and delinquent owners who do not pay their debts to the City in stable, community owned housing in perpetuity via rental or homeownership models. I shared a report with the Committee outlining the opportunities from the perspective of the Community Land Trust movement with the Committee earlier today.[2] A highlight of that report–the closing of the East Harlem/El Barrio

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[2] Julia Duranti-Martínez, New Economy Project; John Krinsky, City College; Paula Segal, TakeRoot Justice, "Commodifying our communities:" The case for abolishing NYC's tax lien sale and prioritizing community land trusts in a new tax collection and property disposition system (December 2020), https://takerootjustice.org/wp-

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Community Land Trust on four apartment building properties at the end of November–was only made possible because the City did not transfer its leverage over those properties when they fell into arrears to a third-party investment-backed Trust. The debt, and eventually the buildings, stayed in City control; thus the City was able to work with residents and advocates to create secure housing in perpetuity.

Community Land Trusts and our allies in the non-profit housing development community likewise are eager to aid in the transformation of vacant properties and parking lots[3] that cycle through the sale every year into housing for low income New Yorkers. The latest list of 2020 Lien Sale eligible properties includes 800,992 residential zoning square feet on buildable lots (over 2,500 square feet). This is enough existing floor area to build approximately 890 units, using 900 sq ft as average unit size, and does not include properties that could be rezoned to either increase density or allow residential where it is not allowed now. At the 2017 reauthorization, the Council legislated at our request that the Department produce a separate list of these vacant properties so that we can clearly see what opportunities are lost. I thank the Council for that, and urge it to take advantage of the opportunities that are so clearly before it for the production of new social housing in New York City, a need the pandemic has put into sharp relief.

Thank you so much for the opportunity to testify today.

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content/uploads/2020/12/Commodifying-Our-Communites-The-case-for-abolishing-NYC%E2%80%99s-tax-lien-sale-Updated-Dec-2020.pdf

[3] Over a quarter (26%) of all tax class 4 properties on the 2020 lien sale eligible lists are used for parking. See https://www1.nyc.gov/site/finance/taxes/property-lien-sales.page (analysis performed based on 11/9/2020 lists). A majority of other tax class 4 properties in the sale are "one story retail," "miscellaneous commercial" and "retail with other uses;" these are all also potential sites of housing or other community-supportive uses.

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Testimony to the New York City Council Committee on Finance
December 9, 2020

Good afternoon, Committee Chair Dromm and members of the Committee, and thank you for the opportunity to testify. My name is Julia Duranti-Martinez, and I am the Community Land Trust Campaign Coordinator at New Economy Project, an economic justice organization that works with community groups to build an economy that works for all, rooted in racial and gender justice, neighborhood equity, and ecological sustainability. New Economy Project has worked for more than 25 years to combat inequities in our financial system and economy, and to promote cooperative, community-led development. New Economy Project co-convenes the NYC Community Land Initiative, a coalition dedicated to expanding community land trusts and deeply-affordable, community-controlled housing and neighborhood development in NYC.

We urge the Council not to introduce legislation reauthorizing the tax lien sale, and work with community partners, including community land trusts (CLTs), to develop an alternative and equitable system to address property tax arrears and, when appropriate, property disposition. The City's practice of selling municipal debt to a private, investor-backed trust fuels speculation and displacement in Black and brown neighborhoods, siphoning wealth from communities disproportionately harmed by historic inequities like redlining and disinvestment, and now hardest hit by COVID-19. This reauthorization bill presents no meaningful changes to the lien sale. If enacted, the legislation would further compound financial distress for low-income homeowners, destabilize tenants, and accelerate displacement in the midst of a deadly pandemic that continues to devastate and deepen inequality in our city.

Eliminating the private, investor-backed tax lien trust from NYC's municipal debt collection toolkit will create opportunities to stabilize communities by (1) keeping homeowners in place and shielding them from deed theft and other scams, (2) intervening on behalf of tenants with delinquent landlords, and (3) expanding the pipeline of properties that can be used to preserve and develop new permanently affordable housing. As community-led nonprofits dedicated to the stewardship of land for permanently affordable housing and other critical community needs, community land trusts (CLTs) are ideally positioned to work with the City and other mission-driven, nonprofit developers to achieve these key goals.

The local CLT field has grown tremendously in recent years. More than 15 CLTs have organized across NYC, from the South and Northwest Bronx, East New York and Brownsville to Jackson Heights, Staten Island's North Shore, and other Black, Latinx, immigrant, and low-income neighborhoods. In addition to being among the hardest-hit by COVID-19[1], these neighborhoods bear a disproportionate share of Class 1 tax lien sales. Additionally, and with support from the NYC Council CLT discretionary funding initiative launched in FY 2020, NYC CLT organizations have developed their capacity to acquire property. CLT

[1] Afridi, L. & Block, L. (2020). Frontline Communities Hit Hardest by COVID-19. Association of Neighborhood & Housing Development

groups have led intensive community organizing and education efforts, conducted participatory property research, developed local leadership of their CLT boards and steering committees, and secured technical and legal assistance. With the East Harlem El Barrio CLT's recent acquisition of four city-owned properties and the longstanding Cooper Square CLT on Manhattan's Lower East Side, NYC now has two successful examples of CLTs launched with city support and resources, including the transfer of properties that came into city ownership through the use of *in rem* foreclosure. As other CLTs prepare to acquire their first properties, the next stage of City support must include policymaking that channels properties to CLTs for long-term preservation and community stewardship. Developing responsible alternatives to the tax lien sale is a critical next step.

The ongoing economic devastation of COVID-19 will only exacerbate the devastating impacts of the lien sale on homeowners and tenants alike. With more and more tenants struggling to pay rent, multifamily building owners may accrue additional debt, and be pressured to sell to predatory buyers. In anticipation of a real estate downturn, private equity and other investors are already raising funds to purchase distressed properties[2]. The City must take swift action to promote the transfer of such properties to community stewardship, rather than to Wall Street and other speculative buyers. Ending the lien sale and disposing of foreclosed properties to CLTs and similar entities--along with passing and funding Community Opportunity to Purchase legislation (Int. 1977-2020) to give qualified nonprofits a right of first offer and a right of first refusal in multi-family residential building sales--are two policies that can work together to achieve this goal.

The tax lien sale is a missed opportunity to preserve land and housing for permanent public benefit when it is most sorely needed. We urge the Council not to introduce this bill, and to invest in proven, community-led institutions that stem evictions, foreclosures, and speculation in Black and brown neighborhoods, and contribute to a just recovery and racial equity in NYC.

Thank you again for the opportunity to testify. For more information or questions, please contact Julia Duranti-Martínez at New Economy Project (julia@neweconomynyc.org).

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[2]Hornbach, C.; Mironova, O.; Stein, S.; and Udell, J. (2020). Corporate Windfall or Social Housing Conversion? The looming mortgage crisis and the choices facing New York. Community Service Society.

Jonathan Mantell

From: Jonathan Mantell
Sent: Wednesday, December 9, 2020 2:21 PM
To: Jonathan Mantell
Subject: NYC CITY COUNCIL TESTOMY

We like many community advocates strongly oppose the reinstatement of the tax lien sale.

From a transparency and oversight standpoint, having access to the DEP system is essential. We are called upon daily to assist clients with matters pertaining to their DEP water bills.

Because our access has been stripped, we aren't able to assist our clients with essential questions they have to rectify any open balance. As such, having the lien sale when client advocates aren't given the proper vehicle to assist with rectifying any financial obligation is unfair and unjust.

Furthermore, with regards to setting up a payment agreement on any open DEP charges, clients are forced to waive all rights by agreeing to, “accept the validity of all charges” This is required in order to setup the agreement. The problem again is, advocates aren’t able to review the validity because our DEP access has been stripped.

Property owners who aren’t of means could certainly become desperate, borrow money -- potentially at a premium -- to pay off their obligation to avoid winding up on the lien sale --- or worse lose a multi-generational asset .

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****Water Waste Prevention client portal now available *****
If you have not yet registered, please click here (https://www.wwsb.co/client/) to register and view your billing history. The portal allows you to view all tenant billing -- both current and historic for your property(s).

Thank you Council Members for the opportunity to testify today regarding the Lien Sale bill. I work for a firm representing homeowners, management companies, and landlords, specifically with regard to the Water Bills. I have experience of 20 years working on NYC water bills, and therefore I understand that water bills, and the NYC Water Board regulations are much more difficult for a homeowner or management company to understand, than one would assume on the surface.

With regard to the Lien Sale, it is obviously an important mechanism to exist, as unfortunately many bad actors will not pay their bills unless there is some level of enforcement. However the process needs to be fair. I will be talking specifically about water bills in my testimony.

Since at least 1995 through May 2020, there has been a Public Access system that has the full billing and accounting history of every NYC water account. This system was available in DEP boro offices for anyone to walk in and use, and was also available to be used in private offices via a paid subscription. This system was used by various different parts of the Real Estate industry, including Banks, Consultants, Title Companies and management companies. It was very effective in providing oversight and transparency, specifically with regard to the Lien Sale, when customers are up against deadlines. In addition to the Public Access system, since approximately 2009 there was a DEP website, available to all, which provided the last 3 years of bills to anyone who entered in a property's address.

This public access was consistent with all other public agencies in NYC. For example, the DOF website allows you to see a property's billing history, payment history, and a full account history. The DOB website allows you to see every complaint, permit, violation, and any action taken on a property. The same applies to HPD as well. ACRIS allows you to see all sales, deeds, mortgages, and all other information about a property. These websites and agencies have this information public, because its public information.

In September 2019, DEP emailed the firms that paid for access to the public system, that they were closing the system going forward. The only reason they gave was a privacy concern for 1-family homeowners. This went into effect in May 2020. In addition, without notification to the public, and without any public hearings, in September 2019, they removed the public website that showed a property's water bill history. What DEP effectively did, was take a public utility and public information, and turn it private overnight, without any input from the public. They are attempting to act as a private utility company that services a suburban community, yet they also want the power to sell liens on outstanding balances, a power which no private utility companies have.

I have a copy of the press release in front of me from 2008, when the City Council and the Mayor approved the DEP to sell stand alone liens. At that time, the public access system for billing history was available as mentioned before, but the City Council recognized that water bills were not a simple process, and therefore an extensive analysis was done by a Consulting firm that recommended numerous changes to the DEP operations. These changes were necessary for the City Council to approve a lien sale for water bills.

However here we are in 2020, and the only change that has been made, is DEP closing the public access system, while at the same time asking for the ability to sell liens. Council member Adams mentioned predatory behavior in the lien sale process, however the largest predatory behavior im seeing is the lack of transparency from a City agency. We are requesting that the City Council compel the DEP to open back up the public access system, regardless if they want the legal authority to sell liens on open water bills, but especially if they do

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Committee on Finance Subject of testimony: Tax and housing

With the temporary moratorium on New York City's tax lien sale extended multiple times after being imposed early on in the pandemic, this is an ideal opportunity for lawmakers to take it a step further. End the lien sale. Permanently.

State Attorney General Letitia James floated the idea at a recent City Council Finance Committee hearing. With property taxes accounting for more than 40% of the city's tax base, levelheaded lawmakers understand this is the path to economic recovery.

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