

Report of the Lien Sale Task Force

September 2016

Members

Co-Chair Peter Hatch, Office of the Mayor
Co-Chair Council Member Julissa Ferreras-Copeland
Council Member Donovan Richards
Council Member Deborah Rose
Council Member Robert Cornegy
Rebecca Chasan, City Council Finance Division
Jeffrey Shear, Department of Finance
Alan Anders, Office of Management and Budget
Christopher Allred, Department of Housing Preservation and Development
Joseph Murin, Department of Environmental Protection

Contents

I.	Introduction.....	1
A.	Scope and Effect of the Program in Recent Years	2
II.	The Lien Sale Task Force	3
III.	The Program Overview.....	4
A.	Legislative History	4
B.	How Does the Program Work?	5
C.	Policy Goals.....	8
1.	DOF	8
2.	DEP.....	9
3.	HPD	10
IV.	Task Force Recommendations: Guiding Principles for the Administration and Legislative Reauthorization of the Tax Lien Sale.....	12
A.	Minimize the Number of Properties with Liens Sold in the Tax Lien Sale	13
1.	Modify Payment Plans to Ensure That They Are Feasible and Affordable	13
2.	Establish Interest Rates at a Fair and Effective Level	14
3.	Conduct Appropriate and Helpful Outreach.....	15
4.	Provide Flexibility to Owners Who Make Good Faith Efforts	16
B.	Create Clear and User-friendly Bills and Notification	16
C.	Better Understand the Lien Sale Impact.....	17
D.	Assess Whether the Resolution of Outstanding Debt Could Be an Opportunity to Advance Other City Priorities	17
V.	Conclusion.....	18

I. Introduction

The sale of tax liens is an enforcement mechanism used in cities throughout the country. The New York City Tax Lien Sale program (the Program) originated in 1996 with the intent of improving real property tax compliance, and as a last-resort enforcement and collection mechanism for delinquent municipal charges. When taxes or assessments on properties within the City accrue from delinquent payments on property taxes, water and sewer bills, or other specified municipal charges, those debts become eligible for the Program and may ultimately be sold to a third-party, tax lien trust (the Trust) in a transaction known as the lien sale. After the sale, the Trust works to collect these debts to pay its bondholders, and in the very rare instance a resolution is not achieved, the Trust can use the State's foreclosure process as a final enforcement tool.

While the Program allows the City to restore some of the revenue lost due to tax delinquency, the goal of the Program is not, in fact, the sale of liens; rather, the goal is voluntary compliance with taxes before the sale, as demonstrated in the data presented below. Prior to the lien sale, the Program ensures a fair and equitable system of taxation in the City: that is, incentivizing property owners to pay their taxes on time, and ensuring that all taxpayers pay their fair share for municipal services. Reducing delinquency for municipal debt is a priority because nonpayment of taxes and other municipal charges means less money for critical City services and schools, and higher property taxes and water and sewer charges for complying taxpayers. Delinquency can diminish a neighborhood's property values and hinder development by holding parcels in legal and economic limbo.

At the same time, the City works to accommodate individuals facing economic hardship when appropriate through payment agreements and other mechanisms. The lien sale process also offers City government the opportunity to interact with property owners who are delinquent in their property or water and sewer charges prior to the lien sale; a major part of the process is meaningfully engaging with and educating those having difficulty paying these charges so that they understand their options.

The City Council and City agencies involved in the Program – the Department of Environmental Protection (DEP), the Department of Finance (DOF), and the Department of Housing Preservation and Development (HPD) – strive for every property owner noticed for the lien sale to pay what he or she owes, enter into a payment agreement, or qualify for an exemption that may remove that individual from the current or future tax lien sales. The success of these endeavors depends on adequate notification and outreach to property owners. The City sends multiple notices explaining how to resolve issues to be removed from a lien sale and provides direct outreach to encourage all owners to act before liens are sold. After liens are sold, the ability for property owners to enter into payment agreements or qualify for an exemption is restricted.

Over the years, improvements and reforms to the pre-sale portion of the Program have been enacted to address issues raised regarding outreach to property owners, the concentration and location of delinquent properties, and the inclusion of water and sewer-related charges in lien considerations. Similarly, a goal is to ensure that the Program incentivizes repayment without deepening the financial circumstances that may make payment challenging in the first place. At the same time, it is critical that any changes to the program do not undermine the incentive system that ensures equitable payment of property taxes and delivery of basic City services.

A. Scope and Effect of the Program in Recent Years

As currently configured, the Program has proven to be a very effective enforcement tool that has resulted in significant increases in the payment of delinquent tax receipts and, at the same time, an extremely low percentage of property foreclosures. Of the 18,843 liens sold in 2008-2011, only 322 or 1.7 percent of the liens resulted in a property foreclosure. Since 2008, the City has received an average of approximately \$480 million per year in property tax and water and sewer lien payments composed of (i) proceeds from the sale of liens to the Trust, (ii) residual receipts from the Trust not needed to pay off the bonds issued by the Trust; and (iii) more importantly, the tax and water and sewer payments received during the period from the 90-day notice to the date the liens are actually sold to the Trust. Based on the City's best data, it is estimated that \$350 to \$400 million is received annually during the period between the 90-day notice and the lien sale as payments on delinquent tax, water, and sewer, and other municipal liens during that period.

Proportion of Liens Foreclosed
*Only 1.7 percent of the liens sold between
2008 – 2011 were foreclosed.*

Water rates are one example of how the increased collection rates have a real impact on the operation of the City. Since water rates are set such that the revenue covers the expenses of running the City's water system, any decrease in expected revenue, such as those caused by increased delinquency, in turn necessitate increases in the water rate. This unfairly shifts the financial burden from a minority of delinquent customers to the majority of customers who pay their bills on time. Prior to 2008 when greater authority to sell water and sewer liens was legislated (see Section III. (A) Legislative History section), many delinquent customers perceived that there were no consequences for failure to pay their water bills. Since that time, DEP estimates that more than \$1 billion of costs would have had to be shifted to customers who have paid their bills on time through a significant increase in the water rate.

In addition, the Program has resulted in an extremely small number of property foreclosures. In each tax lien sale, only one lien relating to a property is sold. That lien may be composed of delinquent property taxes, delinquent water and sewer charges, and other charges. Since 2008, the number of lien sale candidates/properties included in the 90-day notice has averaged approximately 25,100. During that same period, the number of liens sold to the Trust has averaged about 4,600, or 18.3 percent of the liens noticed in the 90-day notice. During the period from 2008 to 2016, there were

approximately 41,400 liens sold to the Trust and, during the same period, only 354 properties were the subject of a foreclosure judgment and judicial auction. Of the 354 foreclosure auctions in that period, 196 of the properties were non-residential properties, including vacant land, garages, and warehouses, among other types of properties, and 158 of the properties were residential (an average of eighteen properties per year during the period).

The City’s goal is to make sure that property tax receipts, water and sewer system collections, and other lienable charges are sufficient to support the City’s current and future operations. Lien sale authority is an essential financial tool that not only provides needed revenue, but it also ensures that all building owners pay their fair share for the services that their buildings receive. Not renewing the lien sale authority would unfairly shift the financial burden from a minority of delinquent property owners to the majority of owners who pay their bills on time, pay their fair share, and would then have to pay even more because the City would no longer have its most effective financial enforcement tool.

II. The Lien Sale Task Force

In 2015, the City Council passed and the Mayor signed Local Law No. 14, which required the Mayor and the Council to form a temporary joint task force (the “Task Force”) to review and evaluate the Program in an effort to ensure that it is “fair, efficient and effective” and to present the findings of the Task Force in a report issued to the Mayor and the Speaker.

The Task Force includes five members appointed by the Mayor and five appointed by the City Council, as follows:

Table 1. Task Force Members	
Office of the Mayor	City Council
Co-Chair Peter Hatch, Office of the Mayor	Co-Chair Council Member Julissa Ferreras-Copeland
Alan Anders, OMB	Council Member Donovan Richards
Jeffrey Shear, DOF	Council Member Deborah Rose
Christopher Allred, HPD	Council Member Robert Cornegy
Joseph Murin, DEP	Rebecca Chasan

The Task Force held meetings on October 1, 2015, November 23, 2015, and January 28, 2016. At those meetings, the Task Force discussed areas in which the Program could be modified to address various issues and concerns, heard presentations from outside groups and advocates, and exchanged ideas and proposals. In addition, Administration and Council staff met on numerous occasions outside of the official Task Force meetings to review data and research questions proposed by the Task Force members.

The result of these efforts is the report and recommendations contained herein for submission to and consideration by the Mayor and the Speaker.

III. The Program Overview

A. Legislative History

The New York City Tax Lien Sale program was originally authorized by Local Law No. 26 of 1996 as a comprehensive plan to improve real property tax compliance by selling real property tax liens. The Program was developed due to declining property tax collections and the high cost of the City's *in rem* program. New York City was spending an average of \$2.2 million per property and approximately \$500 million per year to maintain and dispose of real property acquired through the *in rem* program.

Local Law No. 26 authorized the City to sell liens through December 31, 1997 and that authorization has been extended, at times with amendment, in 1997, 2000, 2001, 2004, 2006, 2007, 2011, and 2015.

The first major amendment to the Program was made by Local Law No. 36 of 2001. Prior to this amendment, water and sewer liens could not be sold if there was no qualifying real property tax lien on the property on the sale date. Certain taxpayers, after being notified of their property's inclusion in the lien sale, paid only the delinquent property taxes owed, leaving water and sewer charges unpaid with the associated liens then removed from the sale. Accordingly, the 2001 amendment allowed the sale of water and sewer liens on Class 2¹ (excluding residential cooperatives and condominiums) and Class 4 properties where there was a qualifying real property tax lien on the property at the time of initial notice even if the real property component was paid off by the lien sale date.

Local Law No. 68 of 2007 further expanded the City's authority to sell water and sewer liens by making them eligible for the lien sale even if there was never a qualifying real property lien on the property. This law also prohibited the sale of certain tax liens on residential properties owned by certain senior citizens, disabled or low-income homeowners, and water and sewer liens on any single-family Class 1 property or residential properties owned by certain senior citizen, disabled, or low-income homeowners. The new law also extended the initial notification period from 60 days to 90 days.

Local Law No. 15 of 2011 authorized the sale of liens for unpaid Emergency Repair Program (ERP) charges and Alternative Enforcement Program (AEP) charges. Local Law No. 15 also authorized the City to offer pre-sale payment plan agreements to delinquent taxpayers with quarterly or monthly payment terms with duration of up to ten years with no down payment requirement.

¹ See New York State Real Property Tax Law Section 1802 for definitions of the four classes of property.

B. How Does the Program Work?

Many people are confused about the exact nature of the Program. Some people think that the City is selling properties, while others think that the City is purchasing the properties itself. Neither is the case. The Program is an enforcement mechanism that may ultimately result in the sale by the City of the debts (not the properties) owed in an effort to collect unpaid taxes and municipal charges. This sale is to a Trust, which is set up and closely monitored by the City to ensure compliance with the trust documents. The Trust is tasked with resolving the outstanding debts in a professional, fair, but unambiguous manner, with the foreclosure process being a final, but necessary, tool in those efforts.

Currently, all unpaid real property taxes, water and sewer charges, and other City charges on property become liens on the day they become due and payable. However, they can be sold through the lien sale only when a certain dollar amount and time threshold is met. The criteria for inclusion in the lien sale are summarized in the below table.

Table 2. Lien Sale Threshold Criteria						
	DOF		DEP		HPD	
Property Type	Property Tax Debt		Water/Sewer Debt		Emergency Repair and Alternative Enforcement Program Charges***	
	Minimum Amount	Years Overdue	Minimum Amount	Years Overdue	Minimum Amount	Years Overdue
1-Family House	\$1,000	3	n/a*	n/a	n/a	n/a
2-3-Family House	\$1,000	3	\$2,000	1	\$1,000**	1**
Residential Condominium & Residential Cooperation	\$1,000	3	\$1,000	1	\$1,000	1
Housing Development Fund Corporation (HDFC) Rentals	\$5,000	2	\$5,000	2	\$5,000	2
Other Class 2 Properties (non-HDFC rentals 4+ Family)	\$1,000	1	\$1,000	1	\$1,000	1
Class 4 Properties	\$1,000	1	\$1,000	1	\$1,000	1

*Although the water/sewer debt may not be sold, DEP may report it to a credit reporting

agency if the charges remain delinquent.

**Only applies to 3-Family non-owner occupied homes in Alternative Enforcement Program.

***Only charges posted on or after January 1, 2006 may be included.

As of 2007, the sale of certain tax liens is prohibited for residential properties owned by certain senior citizen, disabled, or low-income homeowners, and water and sewer liens on any single-family Class 1 property or residential properties owned by certain senior citizen, disabled, or low-income homeowners as long as they receive one of the following exemptions:

Table 3. Qualifying Exemptions		
Lien Type	Property Type	Qualifying Exemptions
Property Tax Debt	All Class 1 property owners with qualifying exemptions	<ul style="list-style-type: none"> • Senior Citizen Homeowner Exemption • Disabled Homeowner Exemption • Circuit Breaker • Certain Veterans pursuant to Veterans Property Tax Exemption • Certain Active duty military personnel
Water & Sewer Debt	<ul style="list-style-type: none"> • All Class 1 owners of 1-family properties • Class 1 owners of 2- and 3-family properties with qualifying exemptions 	<ul style="list-style-type: none"> • Same exemptions as those for property tax debt

Once a tax lien on a property is sold, a mandatory 5 percent surcharge is added to the lien to fund Trust administrative expenses. In addition, noticing and advertising fees that are incurred before the lien sale are added to the liens included in the final sale. Interest on the lien continues to accrue and, in the event a foreclosure action is initiated, related legal and court fees are also charged.

When a property has liens that are eligible for the lien sale, the City notifies delinquent taxpayers multiple times via newspapers and letters that a lien on their property will be sold if it is not satisfied. There is a 90-day notice, a 60-day notice, a 30-day notice, and a 10-day notice.

At any time during this notification process, a taxpayer may pay the outstanding balance of the debt or enter into a payment agreement with the City in order to avoid inclusion in the lien sale. From February until the lien sale in May, the City, in partnership with local elected officials and community groups, holds numerous outreach events to provide the opportunity for lien sale candidates to ask questions, make payments, enter into payment agreements, and learn about property tax exemptions that may qualify them to be removed from the sale.

Sample Calendar from 2015 Sale:	
October 29:	Statutory Mailing to all Delinquent Taxpayers and Rate Payers
February 10:	90-Day Ad in Major Newspaper
February 10:	90-Day Mailing
March 10:	60-Day Mailing
April 1:	Current Property Tax Payment Due
April 10:	30-Day Mailing
April 27:	10-Day Publication and Mailing
May 14:	Last Day to Pay
May 15:	Sale Completed

If at the time of the announced sale date the outstanding debt has not been paid or a payment agreement has not been entered into, the City sells the tax liens to a Delaware statutory Trust created pursuant to Title 12, Section 3801 of the Delaware Code. The Trust only owns the liens, not the property. At this stage, the property owner still holds title and at any time may pay off the associated liens to the Trust.

After Rating Agencies examine the credit-quality of the liens that are collateralized, the Trust sells bonds to investors to pay the City a “cash advance” for its purchase of the liens.² The Trust then hires professional servicer(s) who attempt to collect all of the delinquent taxes and charges. After taxes and charges are collected sufficient to retire the Trust’s bonds, any residual collections are paid to the City.

If a property owner has not voluntarily redeemed their lien or entered into a forbearance agreement with the Trust within one year of the date of sale, the liens are subject to foreclosure. New York City tax liens are foreclosed in a judicial process in the same manner as a mortgage in accordance with New York State law. The foreclosure process can take two to three years to complete (or longer if the owner files for bankruptcy or contests the foreclosure process or if there are guardian or surrogate court issues). The property owner has the right to redeem the lien at any time prior to the court-administered auction of the property.

² The Trust’s bonds are issued as “private placements” under Rule 144(A) and Regulation D of the Securities Act of 1993. Bonds are sold exclusively to Qualified Institutional Buyers (QIBs) – typically insurance companies and institutional asset managers.

Most property owners who are notified of their eligibility for the lien sale satisfy their outstanding debt long before the foreclosure process. In fact, most of the property owners notified resolve their debt prior to the actual lien sale. In 2016, for example, of the 24,202 properties noticed at the 90-day notice point, only about 14 percent had liens sold in the lien sale. Moreover, in most cases, even if a property has liens sold in the lien sale, the property owner resolves the debt prior to foreclosure. Since 2005, fewer than 2 percent of properties with liens sold have been the subject of a foreclosure auction.

C. Policy Goals

The Program has been a very successful mechanism to collect outstanding property taxes, water and sewer charges, and other municipal charges. Voluntary compliance has greatly increased since the inception of the tax lien sale. Property tax delinquency has declined from an average of 4.4 percent in the three years before the first tax lien sale in 1996 to just 1.6 percent in Fiscal 2015. Today, each percentage point increase in voluntary compliance is worth approximately \$250 million.

The efficiency of the tax lien sale process is in part measured against the much more costly and time-consuming *in rem* process, which was the City's enforcement tool prior to 1996 and had the ancillary disadvantage of forcing the City to manage thousands of properties.

Over the years, the Program has been reformed to ensure necessary protections and equitable treatment for all taxpayers. Below is a description of the policy goals of the Program from the perspective of each of the agencies involved.

1. DOF

DOF is the City's revenue service and taxation agency. In that role, it administers the City's tax revenue laws fairly, efficiently, and transparently to instill public confidence and encourage compliance. The agency is responsible for valuing more than one million properties and collecting nearly \$35 billion annually in revenue. These revenues include not only City taxes, but also charges levied by other agencies such as HPD. As such, the agency plays a large part in administering the Program.

DOF's work in the lien sale is not simply revenue collection, but represents a comprehensive undertaking to ensure that owners whose properties are at risk for the lien sale are properly notified of their status. Efforts are made to be fair to those property owners who are unaware of their delinquency status or who cannot pay the entire amount due to financial circumstances. DOF therefore works to ensure that owners understand the debt resolution options available to them (such as payment plans and exemptions to those who qualify), process requests to allow new payment plans after defaults due to extenuating circumstances, process exemption applications, and respond to customer inquiries quickly and thoroughly so that owners may have their

properties removed from the lien sale even when approaching the City just before the deadline. The DOF's outreach efforts are marked by frequent communication in various formats and languages that are clear to the general public and customer service resources that meet customer demands.

Based in part on Task Force discussions throughout the process, DOF has already begun expanded efforts (further described in Section IV) to improve notification, outreach, and compliance. The following metrics indicate the success of DOF's efforts in administering the 2016 lien sale:

- ✓ The number of properties with liens in the initial tax lien sale pool at the 90-day notice mark decreased from 27,233 in 2015 to 24,202 in 2016, an 11.1 percent reduction in the number of liens noticed for sale.
- ✓ Despite the reduction in the number of properties in the lien sale pool as of the 90-day notice mark, the amount of outstanding debt collected prior to the date of the lien sale in response to outreach and lien sale warning notices increased from \$102 million in 2015 to \$133 million in 2016, a 30.4 percent increase in collection.
- ✓ Through enhanced communication and outreach, the total number of liens sold decreased from 4,228 in 2015 to 3,461 in 2016. In percentage terms, the portion of the lien sale pool that was ultimately sold declined from 15.5 percent in 2015 to 14.3 percent in 2016.
- ✓ DOF removed 55 properties from the lien sale in 2016 as a result of 58 extenuating circumstances requests. Only one such property was removed in 2015.

2. DEP

DEP is responsible for the City's water supply and sewer system, including providing drinking water to all New Yorkers, maintaining pressure to fire hydrants, managing storm water, and treating wastewater. All of the City's water related expenses – both operational and capital – are paid for with the money collected from the water and sewer charges that are billed to all City property owners and authorized annually by the New York City Water Board. DEP's stand-alone lien sale authority for seriously delinquent water and sewer charges is a critical enforcement tool that allows the City to keep water and sewer rates as low as possible, while fulfilling DEP's mission.

Each year since 2011, DEP has collected more than \$140 million of revenue directly attributable to the sale of water and sewer liens and the pre-lien sale process. In addition, an estimated \$380 million of incremental revenue is collected each year due to the lien sale's "halo effect" – an inducement of customers to stay current on their charges to avoid being placed on the lien sale list. The impact of the halo effect was substantiated in Fiscal Years 2007 and 2008, when the lien sale was suspended for a 16-month period. During that time, customer behavior changed in response to the expiration of the lien sale and, month by month, collections fell increasingly below the revenue target (by as much as 21 percent in September 2007). From that experience,

DEP and the Water Board believe that substantially altering or eliminating the lien sale would result in a close to 14 percent revenue shortfall. Measured against recent water and sewer revenues, a shortfall of this magnitude would involve the loss of \$380 million annually. These funds are vital to meeting the City's obligations every year.

As background on the scale of the lien sale for water and sewer charges for Fiscal 2016:

- ✓ In November 2015, well before the required notice period, DEP sent notices to nearly 16,000 properties that had either already met, or were on track to meet, the eligibility criteria for inclusion in the 2016 lien sale.
- ✓ In January 2016, DEP sent another notice to more than 13,000 properties that met the criteria for inclusion in the lien sale.
- ✓ In February 2016, the official 90-day notice was sent to 15,844 properties, representing \$217 million in outstanding charges. In addition, these properties were listed on DOF's website and in a printed notice that was published in the Daily News.
- ✓ This same group of properties continued to receive a 60-day notice, a 30-day notice, and a 10-day notice, unless the owners either paid their delinquent balances or signed a binding payment agreement for the delinquent balances.
- ✓ These notices resulted in over 13,856 payments made for amounts totaling \$126.7 million. In 2016, DEP sold liens on only 1,286 properties—or less than 8.2 percent of the original 90-day list.

DEP is committed to protecting its most vulnerable customers while ensuring that everyone pays his or her fair share for the water and sewer services used. That is why in Fiscal 2016 the Water Board, in partnership with DEP, adopted the lowest rate increase in eleven years, froze water and sewer bills for roughly 25 percent of all single-family homeowners – many of them seniors – and partnered with the Human Resources Administration and DOF to carry out Mayor de Blasio's progressive vision by creating the Home Water Assistance Program (HWAP) to help over 53,300 low-income customers. HWAP automatically provides a \$116 credit annually to 13,200 low-income homeowners who qualify for the federal Home Energy Assistance Program (HEAP) and 40,100 low-income senior and disabled homeowners who receive DOF property tax exemptions.

Since 2011, DEP has also implemented a number of initiatives aimed at helping its customers and reducing individual costs. These initiatives are detailed in Section IV.

3. HPD

HPD's mission is to promote the construction and preservation of affordable, high-quality housing for low- and moderate-income families in thriving and diverse neighborhoods in every borough by enforcing housing quality standards, financing affordable housing development and preservation, and ensuring sound management of the City's affordable housing stock.

HPD and other City agencies issue violations to properties when existing conditions are hazardous to life and safety. Should landlords fails to timely correct immediately hazardous conditions (for example, when heat is not being provided, when lead-based paint hazards exist or when serious leaks are present) and advise the respective agencies that the repairs were completed, HPD's ERP or AEP or Demolition Unit may respond by contracting for repairs of the condition. HPD charges for these repairs, and DOF bills for the charges and administrative fees on owners' property tax bills. If the ERP charges are not paid timely, the building may become a candidate for the lien sale. In addition, HPD is authorized to bill properties for inspection fees in cases where: inspections continually identify a lack of heat or hot water, inspections result in violations being issued within the same apartments on multiple occasions, inspections at AEP buildings result in violations or false certifications, or, buildings are issued an order in the AEP.

ERP is an important trigger for the tax lien sale because it allows HPD to recoup the costs incurred from buildings that fail to comply with maintaining safe and habitable homes. Before this trigger was in place, some building owners would pay property taxes, but allow the City to make the required repairs and not pay those charges for many years. In 2011, the first year that ERP charges were a trigger for the lien sale, the City recouped \$10 million of the \$12 million in ERP stand-alone charges that were open at the time. The Program ensures that owners know that there are more serious consequences for failing to maintain their property and jeopardize the lives of their tenants.

HPD's statutory role in the tax lien sale is to identify properties, via their block and lot numbers, that need to be excluded from tax lien sale per the statute. HPD is required to exclude the property types listed below. HPD also has one active category for discretionary removals.

Table 4. HPDRemovals		
HPD Removal Code	Exclusion Category	Description
H01	Statutory	Statutorily Distressed, residential property: Lien to value is at or greater than 15 percent and one of the following: - ERP \$1,000 or greater - 5 B and C violations per dwelling unit
H02	Statutory	HDFC-owned coop or condo

		<i>*Rentals are still eligible for the sale</i>
H07	Statutory	Property with an in rem action, in rem payment plan, or counter litigation
H06	Mandatory	Administrative Error. Property is City-owned and managed by HPD.
H04	Mandatory	Urban renewal sites pending acquisition
H05	Discretionary	<p>HPD Program pull criteria (HPD and HDC properties):</p> <ul style="list-style-type: none"> - A pending administrative action will address the arrears retroactively (pending exemption, or resolution of exemption implementation issues) - Property is in the current or future workout pipeline, and resolution is expected within two years - Property is in the development pipeline and is expected to close within two years

In an effort to support the management of the City’s affordable housing stock, HPD funds two technical assistance providers for Housing Development Fund Corporations (HDFCs). Training is offered in building management, budget planning, board and conflict resolution, and financial reporting. Individual advisory sessions are available in addition to classroom training. These trainings assist HDFCs that need additional support to maintain their building’s financial, physical, and regulatory health.

IV. Task Force Recommendations: Guiding Principles for the Administration and Legislative Reauthorization of the Tax Lien Sale

As discussed above, the primary purposes of the Program are to increase the collection of debts owed to the City in order to provide funds for government services, and to minimize cost-shifting from tax delinquent property owners to tax compliant ones. Any recommended changes to the Program, whether intended to be implemented administratively or legislatively, should be consistent with the Program’s primary purposes. At the same time, the City aims to make the Program efficient and fair and to ensure that protections exist to avoid any additional financial burden on property owners or, in extreme cases, the needless loss of property ownership.³

With these concerns in mind, after considerable discussion and research, the Task Force has developed four principles that it recommends guide future administrative and

³ Rao, John. *The Other Foreclosure Crisis – Property Tax Lien Sales*. Boston: National Consumer Law Center, 2012. https://www.nclc.org/images/pdf/foreclosure_mortgage/tax_issues/tax-lien-sales-report.pdf

legislative reforms of the Program. The principles reflect the goals of ensuring prompt payment of municipal charges while also protecting other City priorities and interests, such as support for homeowners and not-for-profit organizations, renters, and neighborhoods, evidence-based policymaking, and the maintenance of affordable housing.

In addition, during the past year of Task Force meetings and the lien sale review, a general consensus was reached on some of the important challenges. Where applicable, some of the recent initiatives that have been implemented by the different agencies represented on the Task Force are included below in reference to the relevant guiding principle.

A. Minimize the Number of Properties with Liens Sold in the Tax Lien Sale

In general, properties are included in the lien sale only when they meet a certain threshold of delinquency and do not qualify for, or have in place, an exemption. Therefore, the fewer properties that have liens sold means either 1) that delinquency rates are low or delinquent property owners pay their debts or enter into installment agreements to pay their debts in order to avoid the lien sale, demonstrating the efficacy of the Program as an enforcement tool, or 2) that more eligible properties have been granted exemptions, demonstrating the efficiency and fairness of the City's outreach and administration of its exemption programs.

The number of properties with liens sold in the lien sale as compared to the number of properties noticed for sale 90 days prior to the sale has generally been on the decline since a series of reforms were implemented as part of the 2011 legislative renewal of the City's authority to hold the lien sale. While in 2011, 20 percent of the liens included on the 90-day notice list were ultimately sold, by 2016 that percentage dropped to 14 percent.

The Task Force recommends that efforts should continue to be made to minimize the number of properties with liens sold in the lien sale by offering improved options for payment, increased access to information about available exemptions and abatements, and assistance to property owners to help them resolve their payment problems and avoid a stressful and financially overwhelming process.

1. Modify Payment Plans to Ensure That They Are Feasible and Affordable

A payment plan is an agreement between the property owner and DOF or DEP to pay the amount owed over time instead of paying the full delinquent amount at once. Currently, the City offers payment plans with terms of up to ten years and the option of a \$0 down payment. However, despite these generous terms, the default rate for DOF payment plans is 38 percent. Similarly, the DEP payment plan default rate is 20 percent. Except in cases of extenuating circumstances, once a property owner defaults on a

payment plan, if the owner does not cure such default, he or she is ineligible to enter into another payment plan. After a lien is sold, the property owner is not able to enter into a payment agreement for any newly delinquent charges for five years, potentially increasing the chances that his or her lien will be sold in a subsequent lien sale unless he or she pays the entire amount owed.

The Task Force has observed that payment plans that are successfully completed are typically paid in about two years. Therefore, the most effective payment terms should be explored, including the length of agreements and significance of down payments.

As a result of the Task Force's discussions over the past year, DOF has instituted a number of policies and reforms to enable property owners with payment plans to avoid default. For example:

- ✓ **Dedicated form for extenuating circumstances.** DOF created a dedicated form for property owners to apply for an extenuating circumstances exception.
- ✓ **Early notification for those at-risk.** DOF has begun to send notices to property owners who are three weeks late in making a payment that they are at-risk for default. DOF will be offering payment plans with monthly payments, which will allow owners easier budgeting for these payments. In addition, the
- ✓ DOF is exploring what other tools could help property owners bring their payment agreements out of default.

It is these types of reasonable adjustments to the payment plan process that provide relief and information to struggling property owners, while still incentivizing timely payments, that the Task Force recommends be pursued by the City in the future.

2. Establish Interest Rates at a Fair and Effective Level

Once a property owner is delinquent in paying their municipal charges, he or she is responsible for paying both the delinquent charges as well as interest that accrues on those charges, thus increasing the price of redeeming one's property if it is included in the lien sale. The interest rates for such delinquent charges are annually adopted by the City Council separate from the lien sale legislation, and they apply to the delinquent charges before a property meets the criteria for inclusion in a tax lien sale. Therefore, the Task Force recommends that interest rates should be maintained at a level that does not effectively prohibit property owners from overcoming their debt but also serves as a deterrent to would-be delinquent payers. To determine what this level of rates should be, the Task Force recommends that the City take full advantage of its current process through which the New York City Banking Commission annually reviews the interest rates for all liens and recommends proposed interest rates to the City Council for adoption. The Task Force believes this process for the review and adoption of interest rates can ensure that the maximum interest rate be fair and reflective of current economic conditions.

As an example, for Fiscal 2017, the Council lowered the interest rate for the late payment of property taxes on properties with assessed values of \$250,000 or less from 9 percent to 6 percent, while readopting an 18 percent interest rate for properties with assessed values of more than \$250,000 and a 9 percent interest rate for the late payment of water and sewer rents. The lower interest rate for property taxes may decrease the number of properties in the lien sale by decreasing the rate at which property owners accrue debt and help stem the mounting debt owed by those eligible for the lien sale that could prevent them from being removed from the sale.

3. Conduct Appropriate and Helpful Outreach

The Task Force recommends relevant City agencies conduct appropriate outreach and assistance to help property owners have sufficient time and notice to find a solution and prevent their entry in the lien sale. Strategies that should be considered include disseminating adequate information about exemptions and abatements, implementing an efficient and accurate process for granting such exemptions and abatements, informing property owners of the risks of not paying their debt in a timely manner and having their liens sold; providing financial counseling to residential property owners, and prominently advertising available resources like the lien sale ombudspersons. The lien sale ought to be equitable and used by the City as a last resort. Avenues to provide property owners with useful, reliable, and timely information and services to avoid the lien sale should be thoroughly explored.

Along these lines, the City has already taken several steps to improve its robust outreach efforts. These steps include:

- ✓ **Expanded outreach to non-profits.** The City has expanded efforts to contact non-profits that have not renewed their non-profit exemptions, and the City now emails notifications to owners whose properties are included in the potential tax lien sale pool and, therefore, are at risk for having their liens sold.
- ✓ **Expanded outreach to residential properties.** HPD has begun working with DOF to start outreach in October to certain residential properties that are at risk for inclusion in the May lien sale. HPD will include those properties in an early proactive outreach campaign about financing programs available to address a building's financial and physical needs before the liens are sold.
- ✓ **Changes to DEP collection practices.** DEP has established collection practices to reach out to and work with customers long before their outstanding debt rises to the level at which it is lien sale eligible, including:
 - Late payment notices and letters,
 - Outbound collection reminder calls,
 - Automated collection reminder calls, and
 - Letters to customers in payment agreements every month a payment is missed.

The agencies and Council together have additionally worked to conduct outreach events directly in local communities.

4. Provide Flexibility to Owners Who Make Good Faith Efforts

While the goal of the Program is largely focused on resolving outstanding municipal debt, the City has historically recognized that external shocks may make it temporarily difficult for property owners to pay their debts. The Task Force recommends the City continue and, where feasible, strengthen its commitment to providing some flexibility to owners who show a demonstrated effort to resolving their debt. A prime example of these efforts includes DOF's recent production of a formal extenuating circumstances application form – noted above in Section IV.1.a. This form is distributed in its Business Centers and on its website to clarify how owners, who have defaulted on a payment agreement due to the death of a close relative or the loss of a job, can establish a new payment plan before the statutory five-year agreement-free period after a default.

B. Create Clear and User-friendly Bills and Notification

Property tax bills ought to be clearer to facilitate the taxpayer's understanding of what is owed and when. This may increase the likelihood that payments are made on time and help the taxpayer appropriately plan for their financial health.

Moreover, behavioral economics has shown that specific bill or notice design and additional email alerts are some of the simple nudges that can effectively alter taxpayer behavior and incentivize tax compliance.⁴ Procrastination, a sometimes inevitable human behavior, and low financial literacy are potential drivers behind some property owners ending up at risk of having their liens sold. Improved notices and property tax bills may provide a partial solution to these cases.

To this goal of clearer communication, the City has already begun the following efforts:

- ✓ **Automated Meters for Water Usage.** DEP has installed Automated Meter Reading devices (AMR) on 97 percent of all properties so that customers are now able to view water usage data in near-real time, manage their consumption more effectively, and potentially reduce their charges. Because of AMR, DEP's estimated bill rate has fallen by more than 82 percent since 2009. As a result, 97 percent of the water and sewer bills sent to metered customers reflect actual usage, which has led to a 64 percent drop in customer disputes in Fiscal 2016 versus Fiscal 2011 -- and a 50 percent reduction since Fiscal 2008.
- ✓ **Automated Leak Notifications.** Since DEP's implementation of Automated Leak Notifications, more than 257,000 customers have received automated leak notifications and saved more than \$99 million dollars in charges because they have been able to respond to and fix their leaks in a timely manner.
- ✓ **Expand Leak Forgiveness Program.** In Fiscal 2015 the Water Board expanded the leak forgiveness program to include leaks of maintainable fixtures, such as

⁴ "Fiscal Blackmail: Lessons for behavioural economics can boost tax compliance." *The Economist*, May 24, 2014.

toilets and sinks, which were previously excluded. Over 6,300 customers have benefited from this change so far, receiving \$6.4 million in leak forgiveness.

- ✓ **Monthly Billing.** DEP began offering monthly billing as an opt-in option to all 836,000 customers on July 1, 2015.

Further, DOF will be implementing the following new initiatives:

- ✓ **Monthly payment agreements.** DOF will begin efforts to establish monthly payment agreements for property owners who find it easier to manage monthly payments as part of their household's budget.
- ✓ **New at-risk letter.** DOF will establish a new at-risk letter for property owners who have missed a payment plan installment but whose plan is not yet in default status because fewer than six months have elapsed since the missed payment. One hundred twenty such letters were issued for the first time in July 2016.

C. Better Understand the Lien Sale Impact

Understanding why properties end up in the lien sale and what happens to them afterwards will continue to be an area of focus for the City. Multiple variables may eventually lead an individual into the sale pipeline, but to combat tax delinquency and reduce the number of liens sold, evidence-based strategies must be deployed before delinquent properties become lien sale candidates. Well-structured outreach strategies can be valuable and even essential in keeping individuals in their homes, while minimizing the depletion of City resources to combat tax delinquency.

Therefore, the Task Force recommends that, as time and resources allow, the City further research several broad categories where greater information would be useful in future improvements to the Program:

- Why property owners fall behind on their taxes;
- How property owners resolve their tax debt; and
- The state of properties post-tax lien sale.

As an initial step, DOF recently implemented a survey that was provided at its Business Centers throughout the lien sale notice period. It surveyed the reasons why a taxpayer was behind on their taxes, the length of time a homeowner has been in their property, and other relevant data points. The survey also captured information that helped provide feedback to DOF on their customer service and outreach efforts. DOF plans to continue the survey, distribute it more widely in the future, and refine it to maximize participation and solicit additional feedback.

D. Assess Whether the Resolution of Outstanding Debt Could Be an Opportunity to Advance Other City Priorities

As discussed earlier, the primary purpose of the Program is to ensure the effective, efficient, and fair collection of debts owed to the City by property owners to support the

services provided by the City. Without diminishing that primary goal, the City should assess how the resolution of property tax and other municipal charge delinquencies offer opportunities to address other City priorities.

The City has already begun efforts in line with this recommendation including:

- ✓ **HPD's Discretionary Removals.** HPD exercises existing legal authority to pull a property from the lien sale if the agency determines that the property is an appropriate fit for one of its existing housing programs to preserve affordable housing.
- ✓ **Water Debt Assistance Program.** DEP created this program to assist multi-family homeowners who are on the 90-day lien sale list and currently under threat of foreclosure or mortgage delinquency. As part of the program, DEP can remove qualified properties from the lien sale and defer the debt until the property is sold, refinanced, or the owner has the ability to pay the debt. If accepted into the program, the owner must enter into a binding agreement with DEP stating that the debt is valid and will be paid on or before the sale, transfer, or refinancing of the property. In exchange, the owner must agree to pay all current and future charges on time or the agreement may be voided and the property will be included in a subsequent lien sale. As of May 2016, 136 Water Debt Assistance Program applications were approved for the Fiscal 2016 lien sale with total accounts receivable of \$1.2 million.

V. Conclusion

The New York City Tax Lien Sale program is a critical compliance tool. In the two years since its last renewal, it has been modified to improve the transparency of the process, to engage with owners facing hardship, and to provide the help that they need.

To recap, some of the improvements made over the last two years that will be built upon include:

- ✓ Offering monthly payment arrangements
- ✓ Reaching out to non-profits that are candidates for the lien sale
- ✓ Surveying customers to better understand why they end up in the lien sale
- ✓ Providing more and higher-quality outreach events
- ✓ Emailing notifications to lien sale candidates

Due to its importance in ensuring equitable tax collection, the Task Force recommends that the Council and Administration work to reauthorize the lien sale prior to its scheduled expiration on December 31, 2016. Reauthorization prior to expiration results in the seamless continuation of the program allowing City Agencies to manage their processes in an efficient and effective manner. The Task Force recommends that the Program be reauthorized for a period of at least four years.



City Council Finance Committee Hearing

Jacques Jiha, Ph.D., Commissioner
New York City Department of Finance

January 11, 2017

Good afternoon, Chairwoman Ferreras-Copeland and members of the City Council Finance Committee. I am Jacques Jiha, Commissioner of the NYC Department of Finance. Joining me today are Jeffrey Shear, Deputy Commissioner for Treasury and Payment Services and Samara Karasyk, Assistant Commissioner for External Affairs. Thank you for the opportunity to testify about Intro 1385-- a legislation that will extend the City's authority to conduct an annual tax-lien sale and make significant improvements to the program. The roots of Intro 1385 can be traced to Local Law 14 of 2015, which mandated the Mayor and City Council to form a Joint Lien Sale Task Force to evaluate the program to ensure that it is fair, efficient and effective. I would like to thank the Council for its constructive engagement with us that has resulted in this legislation. We support its enactment.

The Department of Finance collects \$24 billion in property-tax revenue annually, including \$50 million of charges levied by other agencies such as HPD. These figures exclude the additional \$3.8 billion in water and sewer charges billed by DEP. Prompt collection of these revenues is critical to fund vital City services and social programs. The tax-lien sale is an imperfect, but effective tool used only as a last resort to enforce and collect delinquent municipal charges. Anyone facing financial hardship can be removed from the lien sale by requesting a payment plan with as little as no money down and as long as ten years in length.

The goals of the tax-lien-sale program are to increase voluntary compliance and to get property owners who are delinquent in paying their taxes to resolve their open liabilities. We would prefer that every taxpayer would resolve their debts so the City could realize the revenue without having to sell any liens. That's why we send many notices to property owners to educate and engage them, including mailings at 90, 60, 30, and 10 days prior to the lien sale to remind them to pay, enter into payment agreements or apply for exemptions.

As indicated above, Local Law 14 of 2015 mandated the Mayor and City Council to form a Joint Lien Sale Task Force. In September 2016, the Task Force issued its first report. I would like to thank the Co-Chair of the Task Force, Council Member Ferreras-Copeland, and Council Members Donovan Richards, Debi Rose, and Robert Cornegy, who all served on the Task Force.

These Council Members represent some of the districts that have the highest number of tax liens sold, and their perspective and advocacy on behalf of their constituents have been extremely helpful. I would also like to thank the affordable housing advocates, including the Center for New York City Neighborhoods and the Association for Affordable Housing, which presented information to the Task Force. The Task Force's report found the following:

- Voluntary compliance has greatly increased since the inception of the tax-lien sale. Property-tax delinquency has declined from an average of 4.4 percent in the three years before the first tax-lien sale in 1996 to just 1.6 percent in FY15. Today, each percentage-point increase in voluntary compliance is worth about \$250 million.
- The report found that DOF's improved and expanded outreach, including robocalls and volunteer Q&A sessions, has contributed to a decline in the number of properties receiving the 90-day warning notice from 27,233 in 2015 to 24,202 in 2016. The number of liens sold also fell from 4,228 to 3,461 in those respective years. Despite the reduction in the number of properties in the initial lien-sale pool, enforcement dollars from lien-sale notices and other outreach increased from \$102 million in FY15 to \$133 million in FY16.
- The report also found that, during the period between 2008 and 2016, about 41,400 liens were sold to the Trust, but only 354 of those properties were the subject of a foreclosure judgment and judicial auction. Of those 354 properties, 196 were non-residential, including vacant land, garages, and warehouses, and 158 were residential.
- In response to Council inquiries, DOF developed an extenuating-circumstances program, which enables DOF to remove 55 properties from the tax-lien sale in FY16 as a result of 58 submitted requests. By comparison, only one such property was removed from the tax-lien sale in FY15.

The Task Force report also made the following recommendations:

1. Minimize the number of properties with liens sold in the tax lien sale

According to the report, the number of properties with liens sold compared to the number of properties receiving notices of the lien sale 90 days prior to the sale has generally been declining since 2011. As a result, the Task Force recommends that DOF continues to make efforts to

minimize the number of properties with liens sold by reducing fees and improving payment options.

The Council took the first step in the FY17 Budget by reducing the interest rate on unpaid property taxes for 95% of properties with assessed values below \$250,000 from 9%, which had been in effect for many years, to 6%. Intro 1385 takes this one step further by applying the 6% rate to sold tax liens in order to align interest rates for delinquent property taxes with sold tax liens. Intro 1385 also gives property owners who have defaulted on their payment agreements a one-time opportunity to reinstate their payment plans by paying 20% of the total amount owed. The discussions with the Council also have prompted DOF to expand the definition of extenuating circumstances to allow property owners with defaulted plans to get another payment agreement without being subject to the typical five-year waiting period that accompanies a default. While it is not specifically addressed in Intro 1385, DOF will be promulgating a rule to add active enrollees of DEP's water-debt-assistance program to those who are considered as having extenuating circumstances.

2. Create clear and user-friendly bills

Intro 1385 reinforces DOF's current efforts to make its communications clearer, more customer-oriented, and available in more formats. With regard to our lien-sale correspondence, DOF is now sending a new at-risk letter to property owners who have missed an installment payment, but are not yet considered in default on their payment plans because six months have not yet elapsed since the missed payment. This letter lets them know that they are at risk of default. As a result of its discussions with the Council regarding the high default rate for payment plans, DOF implemented the at-risk letter rather than relying solely upon statements of account to communicate payment-plan status. DOF sent out 120 letters in July 2016 and in 100 instances, property owners caught up on their payments and avoided default. The at-risk letters will now be required by Intro 1385.

The Task Force also recognized that some people who have difficulty meeting their property-tax obligations may be facing other financial issues like credit-card debt and could use assistance relating to their overall financial situation. As such, it requires DOF to include information about

financial counseling in the October 31st mailing that goes out to all taxpayers who are significantly delinquent, including taxpayers whose debts are not yet old enough or large enough to be included in the tax-lien sale. The financial counseling will give them assistance in understanding their options to make better-informed decisions about entering into payment plans.

Intro 1385 further addresses this recommendation by legislating email alerts when property-tax bills are available online and requiring DOF to promptly mail a confirmation letter after a property has been removed from the lien sale. The bill also requires DOF to enhance the information it makes available at outreach sessions, many of which are co-sponsored by Council Members on behalf of their constituents. We will now distribute customer surveys to property owners who have received notice of the intention to sell a lien and make a good faith effort to provide or facilitate financial counseling for those who request it. Finally, when the public comes to a DOF payment center, they will be given a customer-service form that indicates what transaction took place, whether or not the action taken removes the property from the lien sale, and if the property is not removed who must take the next step to do so.

DEP has also made strides in this area, including installing Automated Meter Reading devices on 97 percent of all properties so that customers are able to view water-usage data in almost real-time, and manage their consumption more effectively to potentially reduce their charges. DEP has also set up Automated Leak Notifications and has expanded its Leak Forgiveness Program to include leaks of maintainable fixtures. More than 6,300 customers have benefitted from this change so far, receiving \$6.4 million in leak forgiveness. DEP also began offering monthly billing as an opt-in option to customers on July 2015.

3. Better understanding the lien sale impact

It is important to understand why properties end up in the lien sale. That is why the Task Force recommended that the City further research why property owners fall behind on their taxes; how property owners resolve their tax debt, and the state of properties post-tax lien sale. As a result of its ongoing conversations with the Council, DOF has already implemented a survey that was provided last year at its Business Centers throughout the lien-sale notice period. We surveyed the reasons why taxpayers were behind on their taxes, the length of time a homeowner has been in their property, and other data points. According to the survey, more than 60% of customers

said that personal financial issues were the reason for their failure to pay property taxes on a timely basis, and nearly one-quarter indicated that they were still unable to pay the amount owed. Additionally, 60% said they come to a Business Center to set up a payment plan to prevent the sale of their tax lien. These responses will drive our efforts to continue to improve our customer service. Intro 1385 requires **DOF** to continue this survey.

We also agree that, to better understand the impact of the lien sale, we need data on what happens to properties after they have been in the lien sale. To that end, DOF has agreed to share the servicer report, to provide ACRIS reports on all properties with liens sold since the last reauthorization, and to provide lien-sale notice lists that indicate any non-for-profits that had an exemption in the prior five years, as well as vacant lots.

4. Assess Whether the Resolution of Outstanding Debt Could be an Opportunity to Advance Other City Priorities

The City has begun efforts along these lines, including HPD's discretionary removals and DEP's water debt assistance program. HPD is working with its partners to identify buildings eligible for the lien sale, which could benefit from additional technical assistance and HPD preservation programs. HPD can recommend to DOF that certain properties be removed from the sale, and the Agency will work with owners to become current on all municipal charges and bring the properties under HPD regulatory agreements. Depending on the needs of the property and the affordability mix codified in the regulatory agreement, owners may qualify for low-interest loans and/or property tax benefits. If an owner fails to cooperate, the property may be subject to the lien sale the following year.

HPD is also assessing its third party transfer (TPT) program. The third party transfer program is designed to address the needs of physically distressed buildings with very high lien-to-value ratios, and which are statutorily excluded from the lien sale. Through TPT, HPD brings an average of 255 units per year back into good condition and responsible ownership. The program has been very successful since its inception in 1996, but the Agency is evaluating options for making it even more efficient and effective.

DEP established the water debt assistance program to assist multi-family homeowners who are on the 2016 90-day lien-sale list and are currently under threat of foreclosure or mortgage

delinquency. If they are qualified, DEP removes their property from the lien sale and defer the debt until the property is sold, refinanced, or the owner has the ability to pay the debt. If accepted into the program, the owner must enter into a binding agreement with DEP stating that the debt is valid and will be paid on or before the sale, transfer or refinancing of the property. In addition, the owner must agree to pay all current and future charges on time or the agreement may be voided and the property will be included in a subsequent lien sale. As of May 2016, 136 applications for the water debt assistance program were approved, with total accounts receivable of \$1.2 million.

While Intro 1385 improves many aspect of the lien sale, we have more work to do. Many liens disproportionately affect vulnerable populations. For example, homeowners living on a fixed income may have difficulty keeping up to date with their current property taxes even when delinquent amounts are stretched over a ten-year period. Our “one size fits all” payment plan does not address such circumstances. DOF has convened an internal working group to develop new payment-plan options that take into account people’s ability to pay. We understand this is an issue of particular importance to the Council, and we will address it. In particular, we are exploring a tax-deferral plan for seniors on a fixed income. We are looking at best practices around the country and are examining the best approach for New York City based on current law and operational capabilities. As part of this process, we will be seeking feedback from housing advocates and elected officials. We will report back to the Council when our work is completed. As with any major policy intervention it will take a comprehensive approach to make real progress. DOF is committed to doing its part to improve the tax lien-sale process for NYC homeowners.

Thank you again for the opportunity to testify before you today. At this time I am happy to take your questions.



OFFICE OF THE PRESIDENT
BOROUGH OF MANHATTAN
THE CITY OF NEW YORK

1 Centre Street, 19th floor, New York, NY 10007
(212) 669-8300 p (212) 669-4306 f

431 West 125th Street, New York, NY 10027
(212) 531-1609 p (212) 531-4615 f

www.manhattanbp.nyc.gov

Gale A. Brewer, Borough President

**Manhattan Borough President Gale A. Brewer
Testimony on the Reauthorization of the New York City Tax Lien Sale Program
New York City Council Committee on Finance
January 11, 2017**

Good afternoon. My name is Gale A Brewer and I am the Manhattan Borough President. Thank you to Chair Julissa Ferreras-Copeland and the members of the Council Finance Committee for the opportunity to testify on the reauthorization of the City's tax lien sale program.

I am focusing my remarks on the experiences of Manhattan's not-for-profit organizations as related to the tax lien sale program. While a member of the City Council and now as the Borough President, each year my staff and I review the tax lien sale list (provided by the dedicated Council Finance staff) and we are always dismayed to find scores of not-for-profit agencies, including houses of worship, under threat of losing their buildings for non-payment of often hundreds of thousands of dollars of unpaid taxes. What is confounding is how the situation could become so dire, especially when many of these organizations are exempt from paying various taxes including real estate and fire prevention charges. They usually do not owe any money at all.

My staff and I contacted everyone on the tax lien sale list by phone, post, email, and practically pigeon to notify them of their status and to offer assistance. These calls were illuminating and frustrating. As you know, our city couldn't operate without the members of our not-for-profit and religious community – many of whom are lean organizations where the administrative responsibilities are managed by one or a couple of staff members (or indeed volunteers). Yet these organizations at the local level are a safety net for many New Yorkers. The Human Services Council represents not-for-profit organizations that serve those most in need, and was a vital partner, reaching out to their members.

The single most common response from organizations is that they didn't know they needed to electronically file their tax-exempt status each year with the Department of Finance (DOF) – even if there had been no change in their not-for-profit status. Of course, it is each not-for-profit's responsibility to know the laws that apply to them, and in this case to file with the DOF. It is my understanding that the DOF mails all not-for-profit organizations a letter which contains a user name and password to log in to the renewal system. Does this letter only go to not-for-profit that registered the previous year? Some of the organizations on the lien sale list said that they never received the notification, which may be due to inaccurate records or perhaps because they had missed the previous year's filings and didn't receive the notification while they proceeded to accrue tax debt for which they were actually not responsible.

Our office worked with the staff at the Department of Finance to renew the tax exempt status of those that had lapsed through administrative neglect and remove the erroneous charges from their accounts as well as to remove them from the lien sale list. Finance staff also helped send updated log in information to organizations whose DOF user names and passwords had already expired.

Fordham Law students at the Lincoln Square Legal Services office discovered that 89 not-for-profits were unfairly roped into the 2016 tax lien sale. This could mean that 89 organizations are less able to serve those in need in New York City. There is a multiplier effect as to how many people this inaccurate information is hurting, yet it isn't the first year that this is happened. This coming Fiscal Year should be the last year, however, that this process is so ill-conceived. I support the expanded communication and outreach methods required in Intro 1385. There are also more fair and efficient ways for the government to discern when it should remove tax-exempt status from a property.

Instead of requiring that each not-for-profit file for the renewal of their tax-exempt status annually, the city should only require action from the not-for-profit when certain criteria are met that speak to a change in use of the property that would indicate a future for-profit use. For example, when the property is sold by the not-for-profit to an individual, LLC or any other type of legal entity, the Department of Finance should expect the new owner to certify that their use will be for the public good if they are to enjoy tax-exempt status for their property. Additionally, if a not-for-profit wishes to use their currently tax-exempted property in for-profit way, such as market rate housing, that use will emerge in a filing at the Department of Buildings for a change in the Certificate of Occupancy or a permit for a new building or a significant alteration to an existing building.

This policy change will require information sharing between city agencies, and this could be done by streaming open data. The civic hacker community may even want to help build the city a proof-of-concept. The Department of Building's permit data is already in the open data portal. The Department of Finance already maintains its own database of property sales, but a sales records data set would be a welcome addition to the portal as well.

Thank you for taking up this important matter and I know we will continue to support our not-for-profit and religious communities.

Testimony of Samantha Kattan

Assistant Director, Organizing and Policy, Urban Homesteading Assistance Board (UHAB)

1/11/2017

INTRO

I am the Assistant Director of Organizing and Policy at the Urban Homesteading Assistance Board (UHAB). We work with tenants and HDFC shareholders citywide to preserve affordable housing, and we are one of the largest developers of affordable housing in New York City. I am testifying against Intro 1385-A because it does not adequately incorporate changes to the tax lien sale process that would support and preserve affordable housing. Since December 2015, UHAB has worked with other housing advocates and the Public Advocate's office to consider possible changes to the tax lien sale that would transform it into a tool not only for municipal revenue collection but for affordable housing preservation. We are disappointed that this proposed legislation does not go far enough in re-purposing the lien sale to simultaneously benefit the city's bottom line *and* the New York City residents in vulnerable housing stock that are disproportionately impacted by the negative effects of the tax lien sale.

REPEAT OFFENDERS AND THE NEED TO INCREASE THE PRESERVATION POOL

In October 2016, the Public Advocate's office issued a report outlining the detrimental effects that the tax lien sale can have on vulnerable housing stock that is financially distressed. With a focus on the significant portion of properties that go through the lien sale multiple times, the report highlights that buildings that go through the lien sale multiple times are likely to experience deteriorating physical conditions and increased tenant harassment and turnover, while it is clear that the owner is having ongoing issues keeping up with operating costs. **Each time a lien is sold in the lien sale, the property owner immediately faces penalties and a steep interest rate, increasing the likelihood that they will feel pressure to overleverage their building, neglect making repairs, or find higher paying tenants.** For this type of repeat offender building, everyone is losing: the city is not collecting its money promptly, tenants are facing worsened conditions, the landlord is continuing to fail at maintaining their property, and other housing organizations have no chance at acquiring the property at an affordable price due to the escalating debt associated with the property.

This last point is important. As we all know, land and property is extremely expensive in New York City, and affordable housing developers such as UHAB have fewer opportunities than ever to acquire buildings affordably from “bad actor” landlords who are not adequately maintaining them. Fortunately, the city does have the infrastructure in place to pull buildings that qualify as “distressed” from the lien sale and route them into preservation programs such as Third-Party Transfer; this is one of the rare opportunities that *do* exist for nonprofit developers to affordably acquire property. **We know that if the tax lien sale legislation were to include more substantial changes, specifically to the statutory definition of “distress,” the city would be able to route more buildings into preservation programs that give nonprofit and responsible developers a chance to intervene to preserve these buildings affordably.**

The current definition of distress that qualifies buildings to be pulled from the lien sale and be eligible for TPT includes: having 5 or more B and C housing code violations per unit, having a lien to value ratio of 15% or more, and being an HDFC co-op. We encourage City Council to push the administration to use this enabling tax lien sale legislation to expand the statutory definition of distress to include buildings that have previously gone through a lien sale, buildings with only 3 or more Class B and C code violations per unit, and buildings whose lien to value ratio is only 10% or higher. We also support the efforts of other housing advocates, many of whom are here today to testify against 1385-A, in their call for additional exemptions for non-profits and vacant land, and we are in support of finding additional preservation pipelines for distressed buildings.

While we applaud the city for having convened a task force this year to look closely at the Tax Lien Sale and for making some tweaks to the payment plans and notice requirements in Intro 1385-A, we believe that the city is missing a great opportunity to utilize the tax lien sale process to support and expand the affordable housing stock in the city.



Civil Practice
Queens Neighborhood Office |
120-46 Queens Blvd, 3rd Floor
Kew Gardens, NY 11415
T (718) 286-2450
www.legal-aid.org |

Blaine (Fin) V. Fogg
President

Adriene Holder
Attorney-in-Charge
Civil Practice

Sateesh Nori
Attorney-in-Charge
Queens Neighborhood Office

Testimony by The Legal Aid Society
Before The New York City Council Committee on Finance
Int. 1385-2016 & Proposed Int. No. 1385-A:

**A Local Law to Amend the New York City Charter and the Administrative Code of
the City of New York, In Relation to the Sale of Tax Liens and Notice to Property
Owners When Property Tax Bills Are Available Online**

January 11, 2017

Founded in 1876, The Legal Aid Society (“the Society”) is the oldest and largest not-for-profit in the nation providing free direct legal services to low-income families and individuals. The Society operates three major practices — Civil, Criminal, and Juvenile Rights through a network of borough, neighborhood, and courthouse-based offices in 26 locations in New York City. With 2,000 attorneys, paralegals, and support staff, the Society is able to handle more than 300,000 individual cases each year. Through the Civil Practice’s 22 specialty areas, the Society provides comprehensive direct legal assistance for families and individuals with legal problems involving housing, homelessness, and foreclosure; family law and domestic violence; employment issues faced by low-wage workers; public assistance; disability-related assistance; health law; HIV/AIDS and chronic

diseases; elder law; tax law; consumer law; education law; immigration law; community development legal assistance to enable clients to move out of poverty; and reentry and reintegration matters for clients returning to the community.

The Society was one of the first organizations in New York City to recognize the emerging foreclosure crisis, and established the Foreclosure Prevention and Home Equity Preservation Project to provide comprehensive legal services to homeowners facing foreclosure and challenge abusive lending and real estate practices through affirmative litigation. One of the Society's earliest cases was brought in 1999 in federal court, involving eight homeowners in Queens whose deeds were fraudulently transferred. While initially focused on neighborhoods in southeastern Queens, the area hardest hit by predatory loans and the resulting foreclosure epidemic, the Society later expanded to the Bronx in response to the alarming increase in foreclosures in 2009. In both Queens and the Bronx, the Society conducts outreach and education focused on communities of color disproportionately affected by the foreclosure crisis. As members of statewide New Yorkers for Responsible Lending and citywide Coalition for Affordable Homes, the Society advocates for legislative and policy changes on issues directly affecting our clients.

We appreciate the opportunity to testify today on the important issue of tax lien sales, and specifically Int. 1385-2016 and Proposed Int. No. 1385-A: A Local Law to amend the New York city charter and the administrative code of the City of New York, in relation to the sale of tax liens and notice to property owners when property tax bills are available online. While this law addresses some of the important failings of the current tax

lien sale process, other critical areas could be improved. We urge the Council to consider our recommendations for additional improvements.

The Class 1 tax liens – on one- to three- family homes – sold through the lien sale are heavily concentrated in the same low-income neighborhoods and communities of color devastated by predatory lending and high rates of foreclosure. The Coalition for Affordable Homes’ analysis of liens sold in 2016 for one- to three- family homes found that a homeowner living in a majority African American zip code was six times as likely to have a lien sold than a homeowner living in a majority white zip code and a homeowner in a majority Hispanic zip code was twice as likely to have a lien sold than in a majority white zip code.¹

The Class 1 tax lien sale also impacts a significant number of homeowners. For example, of the liens sold between 2010 and 2015, 7,751 properties had at least one lien sold, and within that group, 1,949 properties had multiple tax liens sold, accounting for more than half of all tax liens sold in that period.² The sale of Class 1 tax liens on owner-occupied properties therefore contributes to the displacement of long-time homeowners, the loss of affordable housing stock (many two- and three- family homeowners provide affordable rental units), and an increase in speculation and scams. Many of the

¹ *Compounding Debt: Race, Affordability, and NYC’s Tax Lien Sale*, Coalition for Affordable Homes, pp.3-5, <http://cnycn.org/wp-content/uploads/2014/02/CAH-tax-lien-sale-report-final.pdf>

² *Selling the Debt: Properties Affected by the Sale of New York City Tax Liens*, NYU Furman Center, p.4, http://furmancenter.org/files/NYU_Furman_Center_SellingtheDebt_28JULY2016.pdf

homeowners on the lien sale list are among the most vulnerable – the elderly, disabled and those facing financial instability due to loss of a job, death of a family member, or illness. Moreover, since the lien sale list is published online, aggressive scammers, real estate brokers, hard money lenders, and reverse mortgage lenders target these vulnerable homeowners, who, in an effort to avoid the tax lien sale, or resolve a resulting foreclosure action, become victim to deed theft and other forms of “rescue” scams, and ultimately at greater risk of loss of their home.

Int. 1385-2016 and Proposed Int. 1385-A institute several important reforms to the tax lien sale and for homeowners with liens at risk of being sold. The bill allows for greater flexibility with payment plans such as the option of monthly payments and the opportunity to enter into a second payment plan. It also contains important measures to assist homeowners avoid the lien sale. However, this flexibility simply does not go far enough, particularly to protect low-income, often elderly, homeowners who are already struggling with payments. For owner-occupied properties, more flexible, income-based payment plans are one option; another would be expansion of the Department of Environmental Protection’s Water Debt Assistance Program to all tax liens (currently this program is only available to two- and three- family properties already on the lien sale list which also face mortgage foreclosure, and makes the lien payable upon the owner’s death, refinance, or sale).

The bill also provides for changes in notification and communication requirements for the lien sale, including written notification when a homeowner is removed from the lien

sale due to payment, an exemption, or otherwise. While this is significant, this could go one step further, and provide a deadline for this notice, so that a homeowner is timely notified and the lien is not inadvertently still included in the sale. Further, where a sale is conducted in error, or where a homeowner is later deemed to have been eligible for an exemption, homeowners should be able to request a review of the lien sale and, where applicable, the City should reverse the sale and restore the homeowner to the position they would have been in if not for the erroneous sale. In 2015, the Society faced this circumstance when we assisted Ms. M, a disabled, 61 year-old resident of the Soundview neighborhood in the Bronx, apply for an exemption. Although the Department of Finance acknowledged her application, the lien was sold in the May 2015 lien sale. It wasn't until late July 2015 that Ms. M received a notice requesting additional documents to complete her application for exemption. The bill's expansion of the use of telephone and email as outreach methods, and connecting property owners to financial counseling resources, are also important improvements that will assist homeowners in resolving their debt and getting off the lien sale list. The City could take this even further by proactively identifying property owners who may be eligible for an exemption and provide them with an application and information about the exemptions, as far too many homeowners remain unaware of this opportunity.

The bill also provides for data collection and reporting on the impact of the lien sale, including the reporting of currently available data on the charges accrued to properties after the lien sale, mortgage and title transfers of properties included in the lien sale, and surveys

to determine the circumstances that lead property owners to fall behind. While this information will be useful to advocates and policymakers alike, it is already clear that the legal fees charged after a lien is sold are exorbitant, causing the debt owed to quickly double from legal fees alone. Particularly for low-income homeowners, resolution then becomes nearly impossible. For example, one client of the Society, Mr. F, who is 68 years old with early dementia, has lived with his wife in their apartment in South Ozone Park, Queens since the 1970s, with no underlying mortgage. Prior to the lien sale, Mr. F owed \$5,978 in property taxes, or \$6,439 when the lien was sold in May 2014; by March 2016, the total amount owed was nearly \$15,700, with \$8,125 in legal expenses and fees and \$1,117 in interest. Fortunately, the Society was able to help Mr. F pay this off by applying for a Mortgage Assistance Program loan through the Office of the Attorney General and administered by the Center for New York City Neighborhoods. Therefore, no additional data collection is necessary to demonstrate that the legal fees charged after sale must be limited.

This bill would reauthorize the tax lien sale for another four years; this is simply too long to wait to address these outstanding concerns with the lien sale. The reauthorization should be limited to two years so that the City can assess the progress it is making as a result of the various reforms in this bill, including review of the data collection, and implement any further necessary changes to the lien sale before further harm to the City's neighborhoods and communities occurs.

Finally, a significant issue that is not addressed by this bill is the challenge faced by heirs who inherit a property with significant tax or water debt. Often these heirs are unaware of the need to go to Surrogate's Court or do not have the necessary funds to hire an estates attorney. This means heirs are unable to enter into a payment plan with the City and their liens regularly become subject to the lien sale, as both the Department of Finance and the Department of Environmental Protection will only enter into a payment plan with an heir after the heir has gone to Surrogate's Court. As a result, family-members who grew up in the homes at issue and who are unable to pay to go through the Surrogate's Court process or pay the entire debt owed have no recourse to avoid the lien sale and will be displaced from their homes and communities. For example, a low-income client of the Society, who, along with his siblings, inherited his home from his parents with tax and water debt, was on the 2016 lien sale list. The Department of Finance only agreed to remove his lien from the sale after advocacy by the Society, a significant down payment, and a signed statement that he would go to Surrogate's Court within 90 days. For low-income heirs, this is an all too common occurrence, and if allowed to continue, will destroy the fabric of the City's communities.

We thank the Lien Sale Task Force, and in particular, Co-Chair Councilmember Julissa Ferreras-Copeland, for providing the Coalition for Affordable Homes with the opportunity to present advocates' recommendations for reform of the tax lien sale for owner-occupied properties to the Task Force. We hope to continue the dialogue with the

City Council in order to arrive at solutions that balance the City's need to collect revenue with the need to protect vulnerable homeowners and their communities.

We thank you for the opportunity to testify today.

Respectfully submitted by

Jenny Braun-Friedman
Supervising Attorney
Foreclosure Prevention Unit



LINCOLN SQUARE LEGAL SERVICES, INC.

January 11, 2017

TO: New York City Council Member Julissa Ferreras-Copeland
Mayor of the City of New York, Bill de Blasio
New York City Council Committee on Finance

CC: Paula Segal, Executive Director, 596 Acres

FROM: Ashley Garcia & Jannon Stein, Student Lawyers, Lincoln Square Legal Services,
Fordham Law School

RE: **Int. No. 1385. Sale of tax liens and notice to property owners of the mailing of
property tax bills**

Background

We are students at Fordham Law School's Community Economic Development Clinic who have researched the City's tax lien sale. Our findings dismay us, and we hope you will consider them. We were saddened to find that 89 not-for-profits had debts included in the 2016 sale¹ and are now facing the risk of foreclosures, if they fall behind on mounting fees and interest. One organization that faced a similar scenario—the Merrick Marsden Neighbors Association—collected over \$30,000 in small donations to resolve a tax lien and avoid foreclosure on their community garden property; all of which could have been invested into community services.

Not-for-profit organizations provide essential resources to those in need; when they are included in the tax lien sale with little guidance on how to avoid it, vital community assets are placed at risk. The proposed bill is insufficient to protect these resources and contravenes the clear intent of state law.

New notice mechanisms to such organizations are too weak. Furthermore, state law exempts charitable organizations from real property taxes in New York City from the date of deed and protects their major assets from being casually transferred into private hands. Yet due to the burdens of the City's annual exemption renewal process, debts for these properties end up in the tax lien sale, against the letter and the spirit of New York's Real Property Tax Law and Not-for-Profit Corporations Law.

Recommendations

- (1) The bill should automatically exempt from the tax lien sale all property eligible for tax exemption pursuant to §§ 420-a, 420-b, 462, and 446 of the New York State Real Property Tax Law.
- (2) The bill should require more substantial outreach and more accurate and helpful informational materials so not-for-profit owners can resolve disputes with the City and avoid the tax lien sale.

¹ See D.W. Gibson, *For Sale: Nonprofits*, Urban Omnibus (Nov. 9, 2016), <http://urbanomnibus.net/2016/11/for-sale-nonprofits/> (including a map of the affected properties).

- (3) The City should end the annual renewals for real property tax exemptions, as it needlessly burdens organizations the State Legislature intends to protect and needlessly puts them at risk of losing properties to foreclosure if they miss a single annual renewal.

Impact

If not-for-profits are not better protected and informed, the communities that rely on them will suffer. The sector helps alleviate the government's burden of providing for those in need. While the tax lien sale benefits city revenues in the short term, its effect on the sector is causing lasting damage to the fabric of the city. Hurting not-for-profits that serve the disadvantaged and needy will shift more of the burden onto government, through increased social service costs or negative effects of neighborhood breakdown.

The New York State Legislature has repeatedly shown that it supports the vital role not-for-profits play in our society and the value they add to our city. The City of New York should make its support for our not-for-profit sector equally clear.

As a part of our legal clinical work, we partnered with the Department of Finance's Office of the Taxpayer Advocate and 596 Acres, Inc. to create an outreach presentation for not-for-profit property owners on property tax exemptions and the tax lien sale. In our research we learned that:

- (1) there is no exemption from the tax lien sale that not-for-profit owners can apply for as there is for owners of Class 1 properties and condominiums who are elderly, veterans, and members of other protected groups,
- (2) there is no automatic exemption from the tax lien sale for properties owned by not-for-profits eligible for tax exemption under state law, as there is for distressed and HDFC-owned properties,
- (3) the annual renewal requirement reinstated in 2012 is especially burdensome on small not-for-profits and those that may have had turnovers in leadership and staff,
- (4) many small not-for-profits are unaware of how to apply for property tax exemptions, and
- (5) there are few legal services providers that will represent not-for-profits in foreclosure actions, which leads to default judgments (i.e., an automatic loss of community resources) since the expense of litigation is far too costly for most not-for-profits.

These findings have guided our recommendations, explained further below.

1. An Exemption from the Tax Lien Sale for Not-for-Profits Is Justified Because the Legislature Intends to Protect Not-for-Profit Property

To protect not-for-profits, the City should provide an automatic exemption that specifically excludes them from the tax lien sale. The sale burdens these charitable organizations with mounting debts, which if paid reallocate resources away from communities in need, and if not paid, place vital assets at risk of foreclosure. Including such debts in the sale minimizes the high value not-for-profits provide to communities throughout the city and ignores substantive protections provided in state law.

- a. *The New York State Legislature intends to fully protect qualifying not-for-profits in New York City from property taxes*

Section 494-a of the New York State Real Property Tax Law (“RPTL”) clarifies the timing of property tax exemptions in New York City.² The State Legislature intended to provide qualifying not-for-profits with property tax exemptions from the date of deed, rather than the date of application. The authors of the legislation were concerned that even the most diligent not-for-profits could have up to 18 months of tax liability. This reform was intended to ensure that a not-for-profit owner of property that qualifies for a §420-a or §420-b exemption would never have to pay property taxes, going forward.

Even Mayor Michael Bloomberg supported the bill when it was proposed in 2007, urging the Legislature to take note of the importance of the city’s nonprofit sector and characterizing the solution as providing “tax relief that is vital to many nonprofit organizations.”³

We urge the City to follow state law and make sure the provisions for the tax lien sale fully comply with its intent to protect exempt charitable property from the date of its acquisition by a not-for-profit owner. If the City does not create an automatic exemption from the sale, it should at least create an opportunity for not-for-profit administrators to apply for an exemption once noticed.

b. *The intent of New York’s Not-for-Profit Corporation Law (“NPCL”) is to protect charitable assets for the community and reduce the risk that they are exploited for profit*

The New York City Tax Lien Sale circumvents state laws governing the real property of charitable organizations and undermines what scholars call the “nondistribution constraint”⁴ —the principle that nonprofits cannot distribute their assets to any person as a profit or a share and must take great care to devote such assets towards charitable purposes.

New York’s laws capture this principle in many rules for charitable not-for-profit corporations, including ones on institutional funds,⁵ the sale of major assets,⁶ and on how corporations may dissolve.⁷ When selling or disposing of its real property, a New York charitable not-for-profit must get approval from an appropriate percentage of the Board or the Members.⁸ Disposing of substantially all of the assets requires additional mandatory approval by the Attorney General’s Charities Bureau or a court.⁹ Such restrictions protect these assets for future public benefit—and also protect the intent of donors who gave their resources to the organization so they could be used for charitable ends.

If a not-for-profit gets a tax lien that is sold to the tax lien trust, it must devote its assets to paying substantial fees and interest to the private investors who have purchased this debt. It becomes a fundraiser not for its own charitable mission but for these private investors’ profit interest. The design of the tax lien sale violates the spirit of the law. Not-for-profits must ensure their assets are devoted to charitable ends,

² The legislative history of this law can be viewed and downloaded from the New York State Archives at http://digitalcollections.archives.nysed.gov/index.php/Detail/Object/Show/object_id/24133.

³ See *id.* Additionally, the State Department of Parks, Recreation, and Historic Preservation supported the law, stating it would save the state money in partnerships with not-for-profits to purchase and hold land for conservation, public access, and development.

⁴ See Henry B. Hansmann *Reforming Nonprofit Corporation Law*, 129 U. Pa. L. Rev. 497 (1981).

⁵ See NCPL Article 5-a, also known as the New York Prudent Management of Institutional Funds Act (2010).

⁶ See NCPL §§509, 510.

⁷ See NCPL §1001(d)(3).

⁸ See *e.g.*, NCPL §509.

⁹ See NCPL §511(a)(3).

yet here debts are wholly needlessly incurred and do not represent any investment in a charitable mission but rather a diversion of funds into private hands.

If it falls behind, a small not-for-profit could lose its major asset to a foreclosure and subsequent auction, where the highest bidding developer can buy a property that state law otherwise protects for public benefit and shields from commercial exploitation. At such an auction, the property is sold without any approval by the not-for-profit's Board of Directors or the Attorney General, as would normally be required for such substantial transactions of real property owned by a not-for-profit.

Including property owned by not-for-profits in the New York City Tax Lien Sale recklessly puts vital community resources at risk in ways that undermine the will of charitable donors and the principles of state law. Any new reauthorization of the tax lien sale must exclude such property automatically, or at least provide administrators an opportunity to apply for exemption on a case-by-case basis.

2. If the Tax Lien Sale is to Include Nonprofits, Much More Substantial Notice Mechanisms Must Be Required Than Those in the Proposed Bill

Any new authorizing legislation must make the City's commitment to not-for-profits more explicit. These organizations deserve much more accurate and helpful informational materials than those provided or proposed, so they can resolve disputes with the City in ways that let them avoid the tax lien sale.

The current and proposed notification requirements are completely inadequate without a corresponding exemption from the tax lien sale for owners of properties potentially eligible for real property tax exemption pursuant to §§ 420-a, 420-b, 462, and 446 of the RPTL. Those currently notified are presented with no choice but to pay the improperly accrued debt to avoid its sale to a speculative trust.

A more robust notification and outreach regime is a necessary reform—either to make sure those that would be exempt from the sale under a newly created exemption actually apply for the exemption or to inform property owners of the underlying real property tax exemptions they may already be eligible to receive. The optional notification and outreach proposed in the bill is insufficient to serve this purpose or to protect not-for-profit assets from disappearing from our communities due to collection activity of buyers in the tax lien sale.

a. *The proposed online list of §420-a exempt owners falls far short of adequate notification*

The key provision of the proposed bill that must be improved is the new online posting, no less than 90 days before the sale, of the borough, block, and lot number of any property in receipt of a real property tax exemption pursuant to §420-a of the RPTL within the preceding five fiscal years.¹⁰ Although this measure would help identify some not-for-profits, it is still inadequate because it does not include properties with property tax exemptions pursuant to §§ 420-b, 462, and 446.

Furthermore, the proposed provision is optional: the bill is clear that it has no effect on the validity of a lien sold. The new law should require that a failure to notify administrators of not-for-profits via phone or email or to post the list of impacted properties online will invalidate the sale of a lien.

¹⁰ See §6(2) of the proposed bill (Int. No. 1385) which amends subdivision a of section 11-320 of the Administrative Code of the City of New York.

Additionally, the provision is flawed because it does not notify nonprofits that have not applied for property tax exemptions of their potential exemption eligibility. The notification requirements in the tax lien reauthorization should mandate outreach to all those potentially eligible for exemption, not just those who have held exemptions in past years.

- b. *The City is already in violation of its legal obligation to notify not-for-profit property owners of their eligibility for exemption from real property tax as part of the tax lien sale*

An existing provision in the authorizing law (included in the new proposed bill) requires the City to alert owners to their potential eligibility for real property tax exemptions prior to any installment agreements for noticed debt.¹¹ Any new authorization of the tax lien sale should be more explicit about how this requirement applies to not-for-profit owners so as to ensure compliance by the Department of Finance.

Currently, a pending lien notice arrives with an attached lien sale property exemption application form—yet the form includes no information about real property tax exemptions for not-for-profits.¹² No information about exemptions under RPTL §420-a or §420-b has regularly been communicated to not-for-profit owners. Not-for-profit organizations like the Merrick Marsden Neighbors Association are given no indication that they may qualify for such exemptions or how to apply for them. There is no evidence that City has been complying with its legal duty to notify not-for-profits of their eligibility for these exemptions when communicating with them about the debts that are securitized in the tax lien sale.

The proposed legislation does not strengthen this ignored provision, but in fact weakens it through the new online notice mechanism restricted only to those owners who have already be recognized as exempt under RPTL §420-a, rather than the broader category of all not-for-profit owners who might be eligible under §§420-a, 420-b, 462, and 446.

- c. *The City must notify not-for-profit property owners of their eligibility for refunds for taxes already paid*

Under RPTL §494-a, not-for-profits that have paid taxes they did not properly owe due to exemption eligibility may be able to receive complete refunds. The City must create a proper notice mechanism that ensures that such owners know about their ability to request and receive crucial community funds back from the Department of Finance as well as about how to protect their properties from the lien sale and the risk of foreclosure.

- d. *Not-for-profits deserve direct outreach efforts*

Another provision of the proposed bill, which encourages the City to engage in outreach to taxpayers affected by the lien sale, should explicitly direct the City to include not-for-profit property owners in outreach programs because of the important role they play in providing essential resources to communities throughout the city. As written, the current provision recommends outreach aimed

¹¹ See New York City Administrative Code §11-332(b).

¹² See New York City, Department of Finance, Lien Sale Property Exemption Application Form, https://www1.nyc.gov/assets/finance/downloads/pdf/lien_sale/lien_sale_appl.pdf.

exclusively at residential property owners. Not-for-profits in the city deserve much more substantial and direct outreach and support.

Although the new bill expands notice mechanisms to include phone and e-mail, we recommend that more outreach systems be implemented to inform not-for-profits that they are entitled to property tax exemptions—and after they have applied for these, that they may be able to receive property tax refunds. The refunded monies will be redirected into our communities.

3. The Annual Renewal of Exemptions is Burdensome and Contrary to Legislative Purpose

Additionally, the City should end its annual renewal requirement, which was reimplemented in 2012. Since then, there has been a huge uptick in the amount of debt improperly billed to not-for-profits exempt from property taxes under state law and an increase in the number of not-for-profits included in the tax lien sale.

Specifically, the Director of Commercial Exemptions and Abatements at the Department of Finance, who administers not-for-profit exemptions, boasts that the reimplementation of the annual renewal process has resulted in restoration of approximately \$500 million to the tax rolls and increased collection of more than \$35 million.¹³ This means that \$35 million has been redirected from the City's not-for-profits and up to \$465 million in uncollected debt still threatens these organizations and communities they serve. Some have opted to sell their churches and community center properties out of fear of mounting debts.¹⁴

If a small not-for-profit misses the annual renewal window between the beginning of October and the first week of January and ends up with a tax bill, it must devote significant time and resources to resolving the problem, seeking a refund, potentially seeking to defect a sold lien, or even marshalling and paying for legal representation to prevent foreclosure. Additionally, the annual renewal process is particularly burdensome for small organizations, as it requires juggling official hard copy mail as well as an online system during a relatively short period of the year that is packed with religious and secular holidays.

The annual renewal requirement violates of the legislative intent of RPTL §494-a to protect qualifying not-for-profits from all property taxes starting from the date of deed and for the duration of their ownership. Removing or altering the renewal requirement to make it substantially less burdensome would stop the first domino in this sequence from falling and go a long way towards providing vital community resources the protection they deserve.

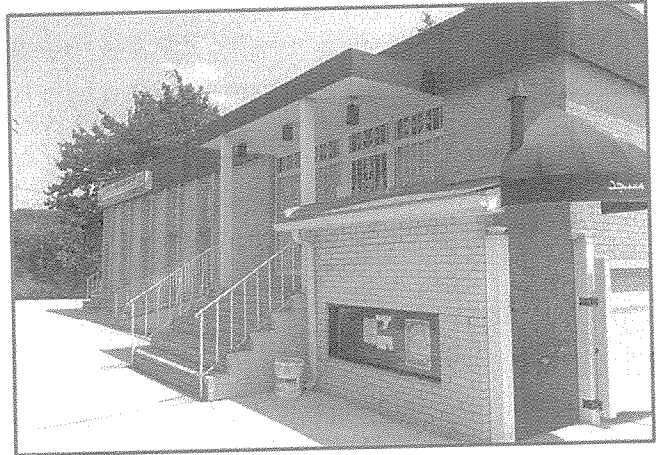
¹³ See Theodore Oberman's public profile on LinkedIn, <https://www.linkedin.com/in/theodore-oberman-5b8176b9>, last visited 12/31/2016, 11:45pm.

¹⁴ See Gibson, *supra* note 1.

AL-MUNEER COMMUNITY CENTER

195-04 Hillside Avenue, Hollis, NY 11423 – Queens

- We are a non-profit 501 (c)3 Religious Organization located in Queens, NY.
- We purchased this building in Mar 2010 and were not advised on filing a property tax exemption application.
- After an year we got a notice that we owe Property taxes.
- We hired a CPA to file the application for us.
- The application process got stalled because we did not had the Certificate of Occupancy of a community center.
- We tried getting a No Objection Letter from Department of Building but although according to our 'Use Class' we should have received the No Objection Letter, we were rejected.
- We tried to pay the tax bills but could not keep up. Eventually in 2014 our tax liens were sold and we were facing foreclosure.
- We had to hire an 'extremely' expensive lawyer to stop the foreclosure.
- On Oct 25, 2016 I got a text message from Ms. Paula, who invited us to attend a meeting with Department of Finance at the Fordham College held on 10th Nov. 2016. We got an opportunity to explain our case to the officials.
- On 30th November 2016, we received an email from Department of Finance stating our exemption has been granted, retrospective from the date we had purchased the building.
- In this entire ordeal we have spent thousands of dollars for paying the tax that we never owed, the attorney fee, building expeditors, and CPA.



We are extremely thankful to Ms. Paula Segal and her organization for all her hard work and efforts.

URBAN JUSTICE CENTER

Community Development Project

Testimony on Intro 1385-A, in relation to the tax lien sale
Committee on Finance, New York City Council
January 11, 2017

Good afternoon and thank you for holding this hearing and continuing the dialogue about the impact of the tax lien sale on our neighborhoods and the City's ability to meet its housing and community stabilization goals.

My name is Paula Segal. I am testifying today as a staff attorney in the Urban Justice Center Community Development Project's Land Use and Neighborhood Change Unit. Since 2014, CDP has been providing support to grassroots and resident-led organizations in neighborhoods identified for upzoning to meet the Administration's housing construction goals. The same low-income neighborhoods and neighborhoods of color that are now the target of plans to allow increased density via neighborhood rezonings have been the areas where properties with tax liens sold over the last 20 years of the program are located. Many of these are properties owned by not-for-profit organizations, vacant lots, unoccupied structures, neglected rental buildings, and homes belonging to individuals on fixed incomes.

Our 20-year-old tax lien sale – and the disinvestment in individual properties it encourages – is part of the pattern that has made East New York, East Harlem, Staten Island's North Shore, and other neglected neighborhoods ripe for speculation.

We oppose Intro 1385-A in its current version and respectfully request that the bill be amended to before it is put to a vote. If the bill is not amended, the devastating impacts on our neighborhoods that the reauthorization of the tax lien program for four more years will bring warrant a NO vote from members. These five specific changes to the bill are imperative:

- (1) **Automatically exempt liens on vacant land, and move the land into affordable housing development programs or the inventories of other City agencies for use as community resources such as parks and gardens.** A conservative estimate, based on the data available and current zoning and building rules, reveals that every year vacant land with over 4 million square feet of unbuilt residential floor area is included in the tax lien sale, where much of it disappears into the private market¹. If the City instead re-directed these sites to affordable housing development, they could yield 40,000 permanently affordable apartments. For comparison, the East New York upzoning has just produced approximately 600,000 square feet of new unbuilt residential FAR and promises to yield about 6,000 new units, only a portion of which will be regulated.

If the City retained its leverage over sites that today go through the tax lien sale, there would be no need to upzone neighborhoods where low-income people of color live: a process that threatens to exacerbate gentrification and displacement in these areas. Instead, thousands of New Yorkers could be housed in their neighborhoods without altering their fabric or current urban design. The land could also be used to facilitate new commercial, manufacturing and community space.

- (2) **Automatically exempt liens on property owned by not-for-profit organizations eligible for the mandatory 420-a tax exemption under New York State law, whether or not administrators have submitted an application for property tax exemption.** Mosques, community gardens, churches, veterans' community centers, food pantries and other such properties are exempt from property taxes under state law; New York City makes their administrators file for exemption independently and renew annually. Often, our community leaders don't know they need to do a separate application after incorporating with New York State and applying for 501(c)(3) status from the IRS. They assume the exemption is automatic and never receive any communication from the Department of Finance to tell them they must apply for exemption.

For those that do apply and get the exemption, the Department requires annual renewals. If an exemption application is not filed, or renewal missed, the Department sends bills

¹ This number was derived by identifying the properties with YEAR BUILT=0 in City Planning's MapPLUTO in the 2015 Tax Lien Sale list. We found 671 lots with no structure on them in the sale this way, then analyzed what could be built on them given current zoning and building envelope rules. The total unbuilt FAR on these properties is over 12 million square feet, but some of the lots small and some of the FAR allowances are for commercial and facility uses:

LOT AREA	Unbuilt Residential Square Feet	Unbuilt Commercial Square Feet	Unbuilt Facility Square Feet	Total Unbuilt Square Feet
All	5,426,318	3,641,314	11,429,936	12,582,922
All lots over 2500 sq. ft.	4,808,665	3,501,394	10,175,073	11,323,669
All lots over 5000 sq. ft.	4,046,630	3,184,497	8,538,256	9,669,772

that turn into tax liens and are sold. Even when administrators have the information they need, illness or death of key people frequently interrupts communication between the Department and community organizations; when this happens, the Department sells liens that result from unpaid bills.

Automatically exempting all not-for-profit owned properties from the lien sale will protect key community assets from speculation and aggressive private debt collection, while still giving the Department of Finance the power to determine which of these organizations should rightfully be exempt from taxes entirely and which should be paying them. When not-for-profit organizations rightfully owe property taxes to the City of New York, Department of Finance should serve as the debt collector. If collection fails, in rem foreclosure of churches and community centers and other like properties is the proper outcome. This will put the ultimate disposition of these charity-acquired properties in public hands, where the City can work together with the Attorney General's Office to determine ultimate disposition that serves public purposes, not wealthy speculative investors.

- (3) **Automatically exempt liens on unoccupied structures.** Unoccupied structures with absent owners also cycle through the tax lien sale year after year, ghosts in our neighborhoods and indistinguishable from other buildings in Department of Finance's records and the lien sale lists. These are homes where people could be living, factories where cooperative enterprises can be starting up, storefronts where New Yorkers could be shopping. Neighbors and local advocates usually recognize this fact, but when they contact city officials to offer to partner to improve property conditions, they are thwarted by the City's lack of leverage. Allowing such properties to have their past-due property tax debt purchased by the for-profit trust does neighbors and the city a disservice: often the owners are dissolved corporations or dead people. Since there are no occupants, the mail is never opened. Trusts eventually initiate foreclosure – though often not for many years – and are able to sell to the highest bidder, usually a developer that then transforms the un-regulated property for new residents, further frustrating local advocates.
- (4) **Require that Department of Finance track the following property types on the City tax rolls now and included in past tax lien sales, 1996-2016, and make the data available to City Council Members and advocates by the end of the year:**
- a. **Vacant land**
 - b. **Unoccupied Buildings**
 - c. **Property owned by not-for-profit organizations**

While the bill before us today concerns the future of the tax lien sale program, we cannot make wise choices about its future without understanding the impact it has had for the last 20 years. We also cannot get public leverage back over properties with multiple liens held by private Trusts against them without knowing which properties those are. A lack of data about key property types in the program has kept its impact on our neighborhoods opaque. The Department admits that it does not track these; but what resident is not aware of the vacant lot next door to their house collecting trash, or the building that poses a fire risk on the corner, or the church they go to every Sunday? We need to require the

Department to track the properties that matter to New Yorkers so that we can better determine, as a city, whether private debt collection or a public repurposing of the property is a better strategy for each.

- (5) **Require the Department of Finance to take back liens sold between 1996 and 2016 on properties that are currently vacant lots, unoccupied buildings or owned by not-for-profit organizations.** The terms of the lien sale program allow the Department to replace any liens sold to the Trust as “defective.” In order to get leverage back over our neighborhoods, it is crucial that the Council require the Department to exercise this power and take vacant land, unoccupied buildings and not-for-profit properties out of the hands of the tax lien trusts entirely. These defective liens can be exchanged for liens from this year against for-profit landlords and other speculators who are not paying their property taxes.

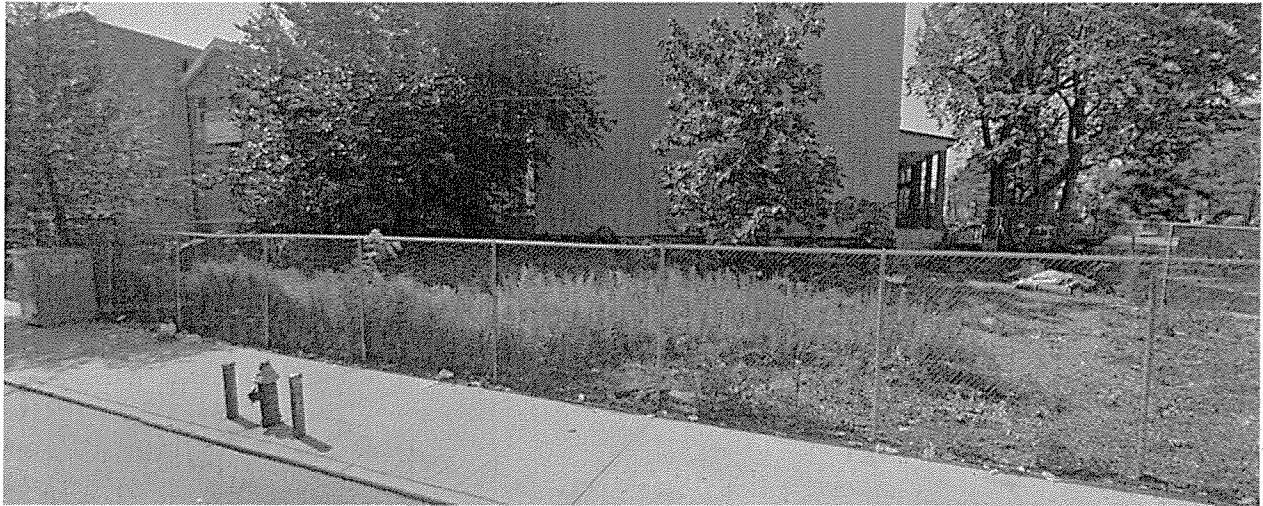
The bill as proposed today promises four more years of languishing vacant lots, unoccupied buildings with mysterious owners and vanishing churches and community centers; the tax lien sale should not be reauthorized for even a year more without the changes I have just described.

The Community Development Project is also part of the New York City Community Land Initiative (NYCCLI) and endorses the comments of the coalition. We also urge the Council to enact legislation to establish a non-profit “preservation trust” that could purchase tax liens on distressed multi-family properties as a means of preserving affordable housing, as proposed by the Public Advocate’s Office and other of our colleagues. In order to make the non-profit trust as effective as possible, Council must alter the definition of “distress” within the tax lien sale authorization so that buildings qualify for preservation before needed repairs and past-due debt become insurmountable obstacles. If the tax lien sale program must be reauthorized at all before a not-for-profit Preservation Trust is ready to purchase debt from the City, we urge that the bill be amended to limit the time of the authorization to a single year.

Thank you so much for your time this afternoon and I look forward to continuing the conversation.

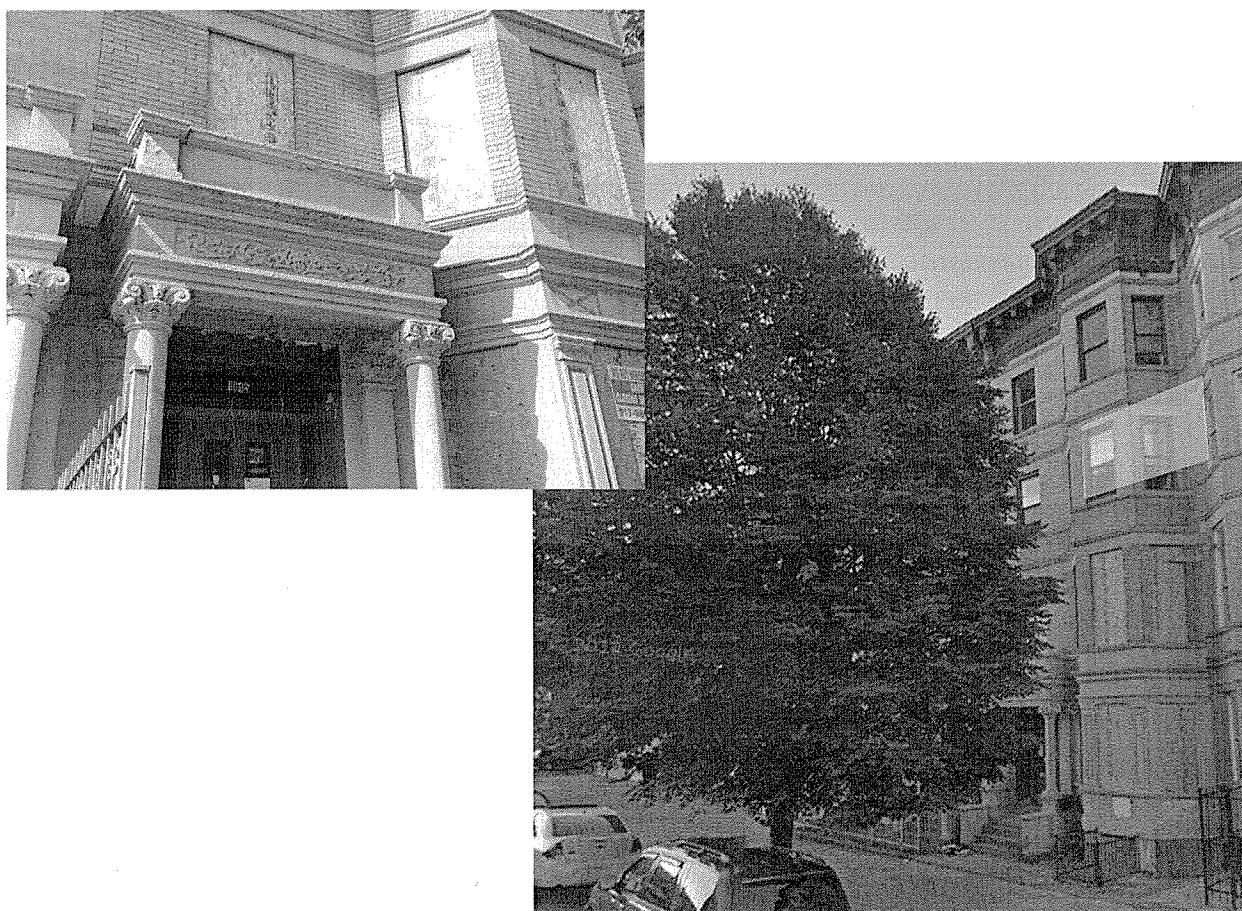
1019 Halsey Street, Bushwick,
Brooklyn

in tax lien sale 1997, 1999, 2009 and 2015



1145 St. Johns Place (Crown Heights, Brooklyn)

in tax lien sale 2011, 2013, 2014





For Sale: Nonprofits

by D.W. GIBSON
November 9th, 2016



Grace Baptist Church in 2016, the stoops encased in green plywood. | Photo by Olivia Schwob

We associate gentrification with the disappearance of affordable housing and longtime local businesses in a complex web of culture, real estate, and policy. But neighborhoods across New York City experiencing dramatic change also stand to lose the religious and nonprofit facilities that provide hot meals, childcare, and the warp and weft of community. And in this case, it is the city — by selling off their tax, sewage and water debts to private investors — that puts them at risk. A strategy born out of 1970s fiscal crisis is contributing today to a slow bleed of vital services in neighborhoods that need them the most. Below, writer D.W. Gibson reflects on the churches and service providers put in jeopardy by a combination of policy and paperwork, and what can be done to stop vulnerable institutions from falling through the cracks.

—M.M.

It's a twelve-block walk up Rogers Avenue to my daughter's school in Flatbush, where I've lived for the last two years. There is a church on every single block. Most are small storefronts with fluorescent lights, like the barbershops and jerk chicken counters that also dot the avenue. During worship, some of the churches leave the front door open so liturgy and music pour out onto the street and it's easy to see the dozens who have gathered inside. There are services in French and Spanish, a lot of Pentecostals, and it's not uncommon to see a barbecue pit chained up outside the entrance. I often wish I could share these blocks with friends from Texas and Kansas and Louisiana, deeply devoted Christians and grill masters who have written off New York City as Sodom and Gomorrah. Jesus is everywhere in Flatbush. So are these thriving communities that provide not only worship services but also food pantries and after school care programs.

Another mile up Rogers Avenue in Bedford Stuyvesant, Grace Baptist Church is selling its building. The baby blue façade is faded; only flaking paint remains. The congregation hasn't gathered in the building for over a year, and the benevolence that allowed homeless New Yorkers to sleep on two empty stoops even after the doors shuttered has finally ended: just weeks ago, both stoops were encased in green plywood.



Grace Baptist Church in Bedford Stuyvesant, after it closed in 2015. | Photo by Timothy Krause via Flickr

The church's decision to put the building on the market was made after the city of New York sold tax debt it was holding on the property to private investors. The debt was part of a tax lien sale conducted by the City of New York in May — an event that happens once a year with little fanfare but significant consequences for some city neighborhoods already in the midst of dramatic change. As gentrification encroaches with more tasting menus and bank branches, not only affordable housing, but crucial community services are being lost.

A tax lien is a legal claim to debt owed on a particular property, mostly unpaid taxes but also other mounting charges like water and sewage. Each spring, the Department of Finance oversees the sale of debt that New York City holds on property across all five boroughs. This debt can be purchased for around 73 cents on the dollar and the buyer can charge up to 18 percent interest. If the debt is not paid off within a determined time frame, the property is subject to foreclosure. What's more, in the state of New York, there is only one authorized buyer for the debt, a trust which only does business with accredited investors who have the prerequisite expertise and deep pockets.

The tax lien sale program was created in 1996 by Rudolph Giuliani's mayoral administration, largely as a long tail response to the city's fiscal crisis of the 1970s. Widespread private property desertion and subsequent tax foreclosures meant that by the early 1980s, the city itself was the largest landlord in the five boroughs. Giuliani saw an opportunity for the city to make money by selling the debt — and the right to foreclose — on all of these unwanted buildings.

But now the pool of city-owned land has dried up because the city has been selling off debt associated with these buildings for so long. Over the years, many tax lien sale properties, like Grace Baptist Church, have been sold or auctioned off to private developers. The process continues, ironically, in parallel to Mayor de Blasio's pursuit of vital services and affordable housing for rapidly changing neighborhoods.

At first glance, it seems unexpected that the church would accrue property tax debt at all, because nonprofit organizations are eligible for exemption from these taxes. Yet in 2016, no fewer than 89 nonprofit organizations across New York City were included in the tax lien sale. It should be noted that this figure might not be comprehensive but it is all that is available — and was produced by a team of students at Fordham University, not the city, which does not keep track of this information. *89 nonprofit-owned and 76 corporation-, LLC- or individual-owned buildings offering community services were included in the 2016 tax lien sale last May. | Map compiled by Urban Omnibus from data collected by 596 Acres, Inc. and the Fordham Urban Law Center*

Many of the properties owned by nonprofits that were included in the sale are just like the small, diverse churches that help define Flatbush and Bedford Stuyvesant — like the Bukharian Jewish Congregation of Jamaica Estates and the Jama Masjid mosque in Ozone Park, both of which were included in this year's tax lien sale. And it's not just religious nonprofits. A range of community organizations now face an uncertain future because of this year's tax lien sale, from the Black Lady Theater (a.k.a. Slave II) in Bedford Stuyvesant to the Mayfield Nursery School in Harlem, and the Afrikan Poetry Theatre in Jamaica, not far from the Elks Lodge on Sutphin Boulevard. After a hasty sale is made to pay off debt, or the epic timeline of a foreclosure has finally played out, the communities that are served by these organizations — by the hot meals and the pre-K, the fabric and the pulse — are left to cope with the loss.



The storefront that houses the Black Lady Theater (a.k.a. Slave II) on Nostrand Avenue in Crown Heights. | Photo by Olivia Schwob

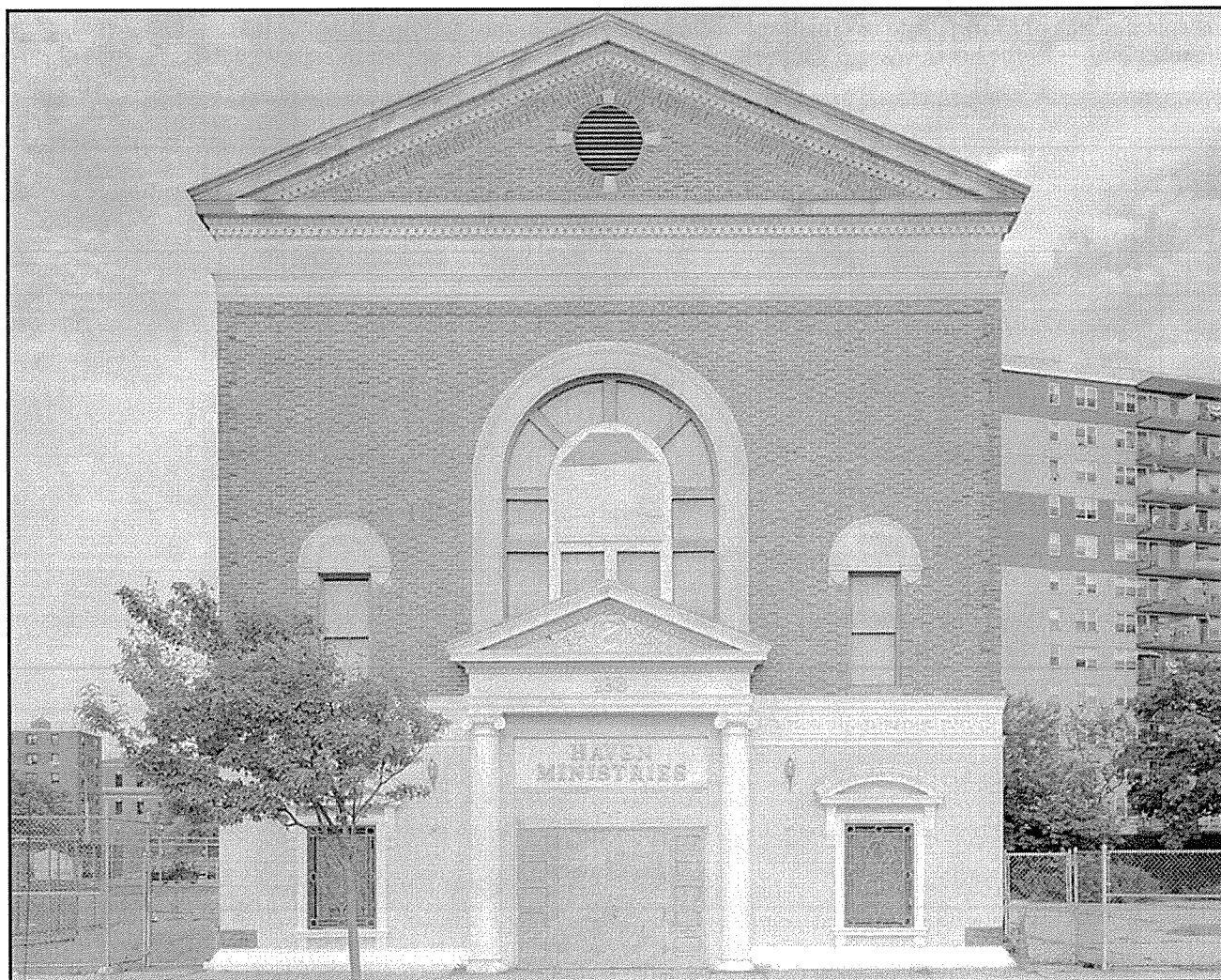
Haven Ministries, a nondenominational Pentecostal congregation, has been worshipping together for nearly 20 years on Beach Street in Far Rockaway, Queens. The church moved into the building, built in 1921 as a Jewish synagogue, in 2002.

Haven Ministries previously met in the home of one minister's mother, and so the 5,000 square foot property allowed the church to grow and become a more visible part of the community. The airy white sanctuary includes a wrap-around balcony that holds hundreds for choir concerts and well-known guest speakers. The building is central to Haven Ministries' identity today — and is historically important to the neighborhood as a place of services. Inside the brick and iron building, dressed with stone trim, each Star of David carved into a banister or threshold remains. In the church's application to the National Park Service for designation as a Historic Place, minister Desiree Maple wrote: "The new congregation

chose not to make significant alterations to the former synagogue out of their respect for the history of Jewish faith.”

Acting as stewards of the building is clearly a charge this congregation takes seriously. Yet when I talked to Desiree Maple about the tax debt the church was carrying — and the city’s sale of that debt to private investors — she was emphatic: “That can’t be right.” When I sent her the tax lien sale documents from the city, listing the \$190,000 of debt (plus fees) that the city sold on the church property in May, she was in disbelief. “We are a nonprofit,” she said. “We should be exempt from paying those taxes.”

Should is the operative word. Nonprofit organizations are eligible for exemption from property taxes but they must file an application to renew this status every year. Some organizations forget to re-file for the exemption or are unaware of the requirement — or unaware that the requirement is annual — and the properties owned by these organizations wind up in the city’s tax lien sale. Providing what might be the understatement of the year, Desiree Maple said, “There definitely needs to be more outreach for community based organizations.”



Haven Ministries, housed in a former synagogue in Far Rockaway, Queens. | Photo by ROB STEPHENSON

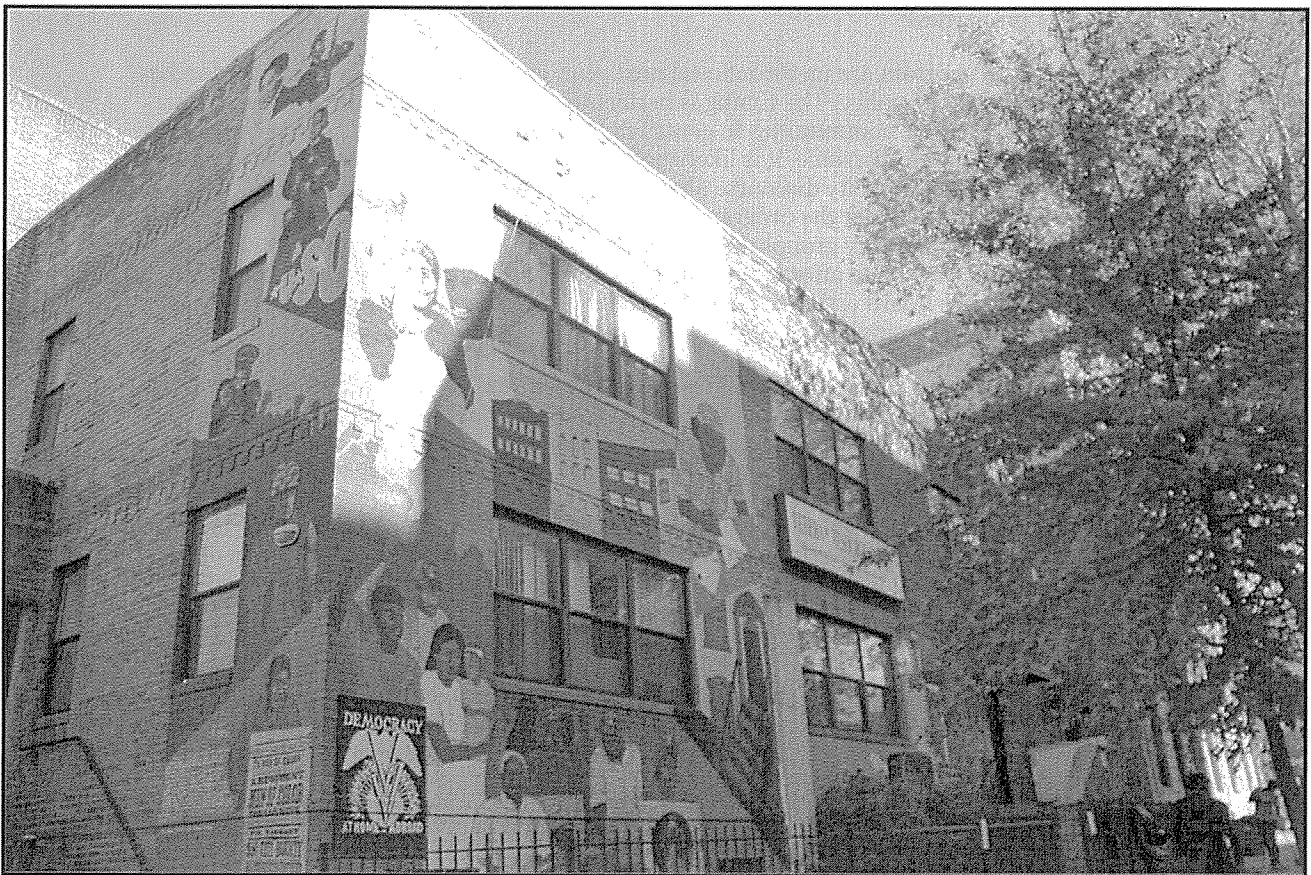
It’s easy to see how communication breaks down, considering the staggering number of properties included in the tax lien sale process every year. In 2016 alone, debt was sold on over 3,600 properties, after the city sent out 90-day warning letters to over 24,000 properties that were behind on their taxes. Jeffrey Shear, Deputy Commissioner for the Department of Finance, notes that the numbers both of tax lien sales and tax delinquent properties are down in the last year, and that considerable effort is made to resolve issues without selling debts.

Shear underscores that proactivity is required on the part of nonprofits that have been duly warned by mail. But many organizations don’t respond to letters of warning — or don’t respond quickly enough — because they assume, not unreasonably, that property tax exemption is inherent once nonprofit tax

exemption status is granted by the I.R.S and the State of New York. Indeed, this comes up again and again when talking with nonprofits affected by tax lien sales: a lack of clear information from the city and endless paperwork. Shear acknowledges there are potentially devastating consequences if these organizations do not understand the bureaucracy — but he suggests that, in the bigger picture, the risk of foreclosures on these properties is overstated. “We did some tracking of past liens that were sold,” he said, “and fewer than two percent of the liens that were sold resulted in foreclosures.” But the methods for arriving at this two percent figure remain murky. And, of course, there is no way for the city to know how many properties, like Grace Baptist Church, decide to pay off tax debt by selling before the process of foreclosure starts.

Paula Segal, co-founder of 596 Acres, which does land use advocacy throughout New York City, led the effort at Fordham University to collect data on this year’s tax lien sale. Segal questions the two percent figure provided by the city: “Some of the foreclosures take over a decade,” she said. “If they’re looking at one or two years, I believe that number — but that’s not how long foreclosures take.” Segal adds that foreclosure is not the only risk that comes with including nonprofits in the tax lien sale, pointing out, “The whole system opens smaller organizations up to having to pay off the tax lien trust in order to protect their property, spending money that should be spent on programming. They pay property tax bills — sometimes sent erroneously by the city — because the risk, if they don’t do it, is that they are going to lose their property.”

Segal is working with the Department of Finance to host a November 10 outreach event for nonprofits, and for the past several weeks, she and her students have been calling organizations affected by the sale to encourage them to reach out to a council member or the city’s Taxpayer Advocate. Most of the organizations she contacts do not know there is debt on their property, much less that it’s been sold to a trust of private investors. “It sounds so incredibly unreal and unreasonable that this keeps happening that people don’t believe me,” Segal said. “And I can’t help them. It’s incredibly frustrating. All I can do is say you need to seek help. This is a real thing that could put your property at risk.”



A mural adorns the façade of a Veterans Service Center run by Black Veterans for Social Justice on Willoughby Avenue in Bedford Stuyvesant. | Photo by Olivia Schwob

Perhaps no organization exemplifies what stands to be lost more than Black Veterans for Social Justice in Bedford Stuyvesant. The organization, founded in 1979, is housed in a three-story building on

Willoughby Avenue. Support and optimism are offered before you even walk in. A mural covers much of the brick façade: a uniformed veteran sits at a desk, writing under a blue sky.

Beginning with those who fought in World War II, Black Veterans for Social Justice has helped fight racist policies and other challenges that greet those re-entering civilian life. The organization provides a range of services including help with securing housing, establishing businesses, getting vaccinations, and preparing taxes. It runs a food pantry and computer lab, hosts community breakfasts and provides retirement planning. The organization's stated vision is that "all veterans will be able to solve their problems and have the opportunity to be contributing members to their families, community and society."

Black Veterans for Social Justice received funding from several city agencies — the Department of Homeless Services, Department of Housing and Preservation, Department of Social Services — as meanwhile, ironically, the Department of Finance, another city agency, sold tax debt on the nonprofit's building in May. The organization was not aware of the sale until Paula Segal called them. After speaking with Segal, Jermaine Howard, who serves as the organization's property manager, contacted the city's Taxpayer's Advocate to get help. He is trying to confirm if the organization's application for property tax exemption has been properly filed with the city. Just like most small nonprofits, the staff is stretched thin, underpaid, and reliant on volunteer support.

The vast majority of the 89 nonprofits included in the 2016 tax lien sale are in neighborhoods at various stages of gentrification: Harlem and Williamsburg, where so much change has already happened; Bedford Stuyvesant and Crown Heights, where cranes pepper the sky; and Jamaica and the South Bronx, where land grabs are underway. The nonprofit organizations in these neighborhoods should not risk closure because of a bureaucracy that entangles those who encounter it — and wears down the government officials who run it. Does anyone in the de Blasio administration actually believe that nonprofit organizations providing the most fundamental services to a neighborhood should be closed because of incomplete paperwork? Or an erroneous tax bill sent from a bleary-eyed government worker processing thousands of properties?

The rules for the tax lien sale program are up for renewal next year, and the de Blasio administration has set up a task force to reevaluate the policy. The timing is perfect to address the bureaucratic inertia that is eroding so many of the vulnerable communities in gentrifying neighborhoods. While doing away with the tax lien sale altogether might be advisable, it is likely politically impossible: it generates revenue and is not yet widely included in New York City discourse about gentrification. But if the de Blasio administration were willing to reconsider the program, the city could use the tax debt as leverage, rather than selling it, and work with community groups that specialize in rehabilitation, third party transfers, and organizing tenants in order to create affordable housing in buildings that are already vacant. The Urban Homesteading Assistance Board estimates that this could help preserve and restore as many as 4,000 affordable housing units in a single year.

Even small changes to the tax lien sale program could go a long way toward addressing its structural problems. What if nonprofits like the churches that line the walk to my daughter's school were excluded from the sale altogether? Such a move would ensure that communication breakdowns and bureaucratic failures would not so easily force community organizations to leave a gentrifying neighborhood.

When I asked Jeffrey Shear about the risks and potential consequences of including 89 nonprofits in the 2016 tax lien sale, he returned to the staggering size of the program: "Considering the thousands of warning letters we send out, it would be really hard for us to track a trend relating to 80-some-odd properties owned by nonprofit organizations."

The problem is that one foreclosure — just one — has an impact on a neighborhood, particularly if, like Flatbush, it's already underserved and vulnerable. For any individual who relies on one church's soup kitchen or another church's childcare, the risk is real, and the consequences immediate. But still a dated policy like the tax lien sale sputters along, challenging government officials charged with running it while shuttering community organizations that get lost in the paperwork. The city should amend or, better yet, eliminate the program to stop the slow bleed of vital services in rapidly changing neighborhoods.

*D.W. Gibson is the author of the awarding-winning book *The Edge Becomes the Center: An Oral History of Gentrification in the Twenty-First Century and Not Working: People Talk About Losing a Job and Finding Their Way in Today's Changing Economy*. He shared a *National Magazine Award* for his work on *"This Is the Story of One Block in Bed Stuy, Brooklyn."**

Additional reporting for this story was provided by 596 Acres, Inc. and the Fordham Urban Law Center.

•

**TESTIMONY OF LEGAL SERVICES NYC BEFORE THE NEW YORK CITY
COUNCIL COMMITTEE ON FINANCE ON PROPOSED INT. 1385-A, A LOCAL LAW
TO AMEND THE NEW YORK CITY CHARTER AND THE ADMINISTRATIVE CODE
OF THE CITY OF NEW YORK IN RELATION TO THE SALE OF TAX LIENS AND
NOTICE TO PROPERTY OWNERS OF THE MAILING OF PROPERTY TAX BILLS**

Wednesday, January 11, 2016
New York City

I am Jacquelyn Griffin, a staff attorney in the Foreclosure Prevention Unit at Legal Services NYC in Brooklyn, and I submit this testimony on behalf of Legal Services NYC regarding Proposed Introduction Number 1385-A. First, we would like to thank the Council for its leadership in addressing fairness in the annual tax lien sale and enhancing the notice to which homeowners are entitled and expanding the options available to those homeowners to resolve their outstanding liabilities. We understand that there are many challenges in addressing these issues, so we thank you for your partnership in the pursuit of justice.

Legal Services NYC is the nation's largest provider of free civil legal services to the poor. For nearly 50 years, we have provided expert legal assistance and advocacy to low-income and middle-income residents of New York City. Each year, our neighborhood offices across Manhattan, Bronx, Brooklyn, Queens, and Staten Island serve tens of thousands of New Yorkers—including homeowners, tenants, the disabled, immigrants, the elderly and children.

Legal Services NYC is also the oldest and largest provider of foreclosure prevention legal services in New York City. For nearly two decades, we have challenged abusive lending and home sale schemes—from redlining to subprime lending to loan modification scams. We currently operate four dedicated foreclosure prevention projects with approximately 40 attorneys

and paralegals working in some of the hardest hit neighborhoods across the Bronx, Brooklyn, Queens, and Staten Island. Since 2009 we have assisted more than 12,000 families at risk of losing their homes to foreclosure. We therefore have an informed perspective on the challenges homeowners face in all aspects of the foreclosure process, and, in particular, the challenges presented by tax and water lien foreclosures.

Today, my testimony will focus on the difficulties faced by low-income and middle-income families seeking to prevent the loss of homes inherited from deceased family members. As you will recall, the Council directly addressed this issue in legislation enacted in December 2013—Local Law 147—which granted heirs the right to enter into installment agreements under the same terms as homeowners. Local Law 147 was an important step toward enhancing the ability of heirs to save their family homes for future generations. However, DOF’s subsequent interpretation of the law in its promulgated rules fails to address the concerns of this Council and fails to assist and protect the specific category of individuals the legislation was intended to benefit.

The legislative history of Local Law 147 is unambiguous. As stated in the Committee Report, it was intended to address “a problem with children of deceased parents who died without a will, or intestate, and have not added their name to deed,” specifically where those heirs have “been maintaining payments on the property.” During hearing testimony, in which Department of Finance representatives participated, this Council specifically condemned DOF’s practice of requiring an heir to obtain a Surrogate’s Court order naming the heir administrator of the estate before allowing such heir to enter into an installment agreement, stating in no uncertain terms “that’s the problem” the law intended to address. At the time it was noted, both by the

Council and testimony from Legal Services NYC, that many low-income families lack the resources to hire an estate lawyer or the knowledge to pursue such proceedings on their own.

Local Law 147 directed the Commissioner of DOF to promulgate rules permitting beneficiaries of deceased homeowners to enter into installment agreements just as living homeowners are permitted to do. Instead DOF's rules codified existing practice in 2013, requiring heirs to intestate homeowner decedents to produce an order from Surrogate's Court in order to enter into an installment agreement. DOF devoted a single subsection of the promulgated regulations to the problem specifically identified by this Council—families who could not afford or otherwise lacked the wherewithal to secure a court order. The subsection requires these families to submit “documentation issued by a government agency, which in the determination of the Department of Finance, substantiates the claim that the beneficiary is an heir of the decedent and inherited the real property or a share of the real property....” In other words, DOF failed to create objective criteria, but instead reserved to itself full discretion to determine which heirs have properly demonstrated an ownership interest in the property.

DOF's rule is extremely problematic. First, the rule is meaningless. There is no “government agency” with the authority to or practice of issuing a document that establishes a beneficiary as properly acceding to the ownership of real property. The judiciary is the only body imbued with that power. Secondly, the rule is vague. Giving DOF the benefit of the doubt and assuming that it had specific forms of documentation in mind when promulgating the rule, the rule fails to actually divulge what type of documentation might satisfy DOF as indicia of inheritance. The rule offers no examples of the types of documents that will demonstrate ownership, making it impossible for homeowners to comply with the rule and impossible for

advocates to assist homeowners in complying with the rule. Further, the ambiguity of the rule contributes to staff confusion regarding how to properly service individuals seeking installment agreements in DOF Business Centers and leads to arbitrary decisions regarding who has and has not met the burden of submitting the un-enumerated required documents.

I would like to offer an example from my personal experience as an advocate. During last year's tax lien sale DOF's routine response to heirs seeking installment agreements was to deny them if they could not produce a Surrogate's Court order, or to require them to pay down the arrears to under 3 years, thus disqualifying the home from the lien sale. This occurred in the specific case of a client I represented, Andrea. Andrea's grandparents purchased the plot of land and had their family home built on it in 1922; in her 62 years of life, she had never lived anywhere other than her family home. Andrea presented numerous documents establishing her relationship to the property: the original deed, the death certificates of her parents and grandparents as well as her own birth certificate, documentation of the installment agreement she had entered into with a tax lien servicer to satisfy tax arrears that had previously been sold in a lien sale, and documentation of the more than \$11,000 in payments made to the DOF in the 8 years since her mother died leaving her solely responsible for the upkeep of the home. This information was presented to the DOF employees and supervisors at the Kings County Business Center; it was presented to internal legal counsel for DOF, and it was presented to the Taxpayer Advocate within DOF, who in fact recommended that my client be permitted to enter into an installment agreement. During this period, I made numerous requests to DOF to explain what other documents my client could produce—short of documentation of a Surrogate Court proceeding—to demonstrate her interest in the property. I never received a response to my

numerous inquiries, and DOF steadfastly refused to let my client enter into an installment agreement. In the most logical interpretation of DOF's rule, the vital records submitted by my client should have fulfilled the "government agency" documentation requirement. However, having apparently determined my client's documents were insufficient, DOF should—at the very least—have been able to offer an *explanation* of what documents would meet the requirement.

Finally, absent a meaningful response from DOF, and faced with my client's loss of her family home over arrears of less than \$8,000, I had no choice but to sue DOF in an Article 78 proceeding in which I sought to compel DOF to comply with Local Law 147. Ultimately, DOF conceded that my client had, in fact, demonstrated ownership of the property, and I was able to have the sale defected. It should not have been necessary to sue DOF to secure compliance with Local Law 147, and Legal Services NYC does not have the resources to commence legal actions on behalf of every heir improperly denied installment agreements in violation of Local Law 147. In light of DOF's failure to implement Local Law 147 as this Council intended, I respectfully suggest that additional legislation is necessary to address this problem.

Due to the complicated nature of estate matters, we believe the best approach would be to exempt the property tax or water arrears of a deceased owner from the lien sale altogether. This would allow potential heirs enough time to resolve estate issues. The relatively small number of properties that would be exempt from the lien sale because of an unresolved estate likely represents a small fraction of the properties included in the annual lien sale, and the exclusion of these properties from the sale will not have a substantial financial impact on the City.

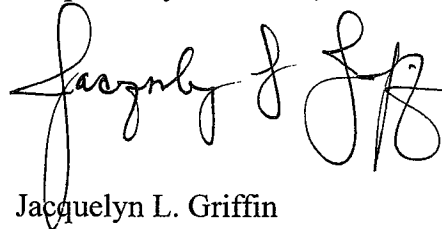
Additionally, the documentation required to establish an heir's interest in the property of a decedent intestate homeowner must be clearly defined and those requirements should be

consistent with—and not more onerous than—well- established succession laws. Under New York State law, title to real property vests immediately upon the death of a decedent *without* the necessity of any court action or proceeding. The New York Estate and Powers Trust Law Section 4-1.1 defines who receives title when a person dies without a will. If there is a surviving spouse and children, then the spouse gets \$50,000 plus half the estate and the other half goes to the children. If there is a surviving spouse and no children, then the spouse gets the entire estate. If there is no surviving spouse but there are children, then the estate goes to the children. If there is no spouse and no children, then the estate goes to the parents of the deceased. These are all relationships that can easily be established by DOF by reviewing a death certificate, birth certificate or marriage license submitted by the person seeking to enter into an installment agreement. We recommend that spouses, children or parents of a deceased person be permitted to enter into installment agreements upon submitting proof of death along with proof of the relationship in the form of a marriage or birth certificate. The person entering the agreement could also sign an affidavit acknowledging the death and their relationship to the deceased person. New York Penal Law 175.30 and 175.35 already make it a crime to offer a false instrument for filing with a government office so that any falsification of an affidavit would also be a crime.

We also recommend that, beyond installment agreements, heirs should be extended the protections of the tax exemptions for which they would qualify if they were the record owner of the property. Finally, any legislation should make clear that the rules are applicable to all city agencies whose debts are subject to the lien sale, including DEP and HPD.

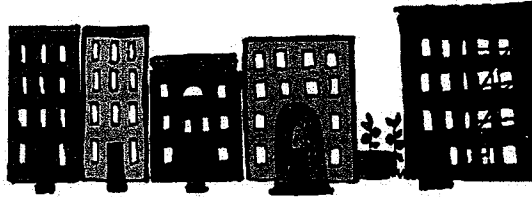
DOF's regulatory scheme in general is overly restrictive. Many of the people seeking installment agreements to avoid a lien sale have already made hundreds and thousands of dollars in property tax and water payments, which were accepted without objection by DOF and DEP, even though the person was not the owner of record. It is both hypocritical and draconian for DOF to later decide that these people, who are behaving in every way as owners of the property, are not entitled to an installment agreement. Some of the most vulnerable New Yorkers are being denied these benefits and facing the loss of a significant asset and affordable housing due to the annual lien sale. The Council should make every effort to protect these homeowners and prevent the city from becoming an instrument of injustice.

Respectfully submitted,



Jacquelyn L. Griffin
Staff Attorney, Foreclosure Prevention Project
Brooklyn Legal Services
1360 Fulton Street, Suite 301
Brooklyn, NY 11216

NYC community land initiative



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

Testimony of the New York City Community Land Initiative (NYCCLI) before the NYC Council Committee on Finance, regarding Intro 1385-A, amending the NYC Charter and Administrative Code in relation to the tax lien sale

January 11, 2017

Good afternoon, and thank you Committee Chair Ferreras-Copeland and the other members of the Committee for the opportunity to comment on Intro 1385-A, which would reauthorize NYC's tax lien sale. My name is John Krinsky, and I am a founding board member of the New York City Community Land Initiative (NYCCLI), an alliance of affordable housing and social justice organizations that advocates for community land trusts (CLTs) as a mechanism to create deeply and permanently affordable, community-controlled housing.

Collectively, NYCCLI's two dozen member organizations have decades of experiences working with property owners and communities harmed by NYC's 20-year-old tax lien sale. We have seen the tax lien sale contribute to the destabilization of NYC neighborhoods – particularly low-income neighborhoods and communities of color – by fueling speculation and deregulation of affordable housing, loss of nonprofit and community spaces, and warehousing of valuable vacant and neglected land and buildings. On the other hand, the 2015 tax lien sale generated about \$72 million, or about 3 percent of the City's total tax levy.

NYCCLI opposes Intro 1385-A as currently drafted, and makes specific recommendations to improve the bill. We believe that it is in the City's interest to use its leverage over tax indebted properties to create and preserve permanently affordable housing and other vital community resources. Currently, the lien sale contributes to the loss of vital affordable housing and property that could be developed as such, and favors private investors over the public good. If the City reauthorizes the tax lien sale, it should adopt the changes described herein to transform the tax

lien sale into a means for long-term preservation and neighborhood stabilization. We also urge the Council to enact legislation to establish a non-profit “preservation trust” that could purchase tax liens on distressed properties as a means of preserving affordable housing, as discussed further below.

Our recommendations to Intro 1385-A are as follows:

- (1) Expand the definition of distressed multifamily properties exempted from the tax lien sale, so that more properties can be guided onto pathways for long-term affordable preservation.**

Specifically, the City should expand the definition of “distressed” multifamily properties to include buildings with a lien-to-value ratio of 10 percent or more; three or more B and C violations for Class 2 buildings; and buildings that have entered the tax lien sale multiple times. The current narrow exemptions for multifamily properties mean that many buildings, already in poor condition, deteriorate further as owners face quickly escalating debts and neglect repairs. In fact, 70 percent of multifamily buildings in the lien sale have been in the lien sale at least once before. In addition, 36 percent of buildings become *more* distressed one year after the sale (using the UNHP BIP score of building distress).

- (2) Automatically exempt liens on property owned by not-for-profit organizations eligible for NYS Real Property Tax Law 420-a tax exemptions, whether or not they have submitted an application for property tax exemption.**

By failing to automatically exempt nonprofit-owned property, Intro 1385-A would perpetuate the tax lien sale’s effect of undermining organizations upon which so many low-income New Yorkers rely, such as churches, day care centers, community gardens, and community centers. A mandatory property tax exemption applies to these owners under New York State law, but the City has chosen to ignore it. Instead, the City’s onerous requirement of requiring nonprofits to recertify every year leaves those organizations with the least administrative capacity at risk of missing notices about the sale. We urge the Council to acknowledge the importance of these critical neighborhood spaces by automatically exempting non-profit-owned property owners from the sale.

(3) Exempt HDFC rentals from the lien sale.

Currently, HDFC cooperatives are exempt from the lien sale, but HDFC rentals are not. These properties are run as not-for-profit housing for low-income residents, even if they do not have formal nonprofit status. Like HDFC cooperatives, they are valuable affordable housing resources that should not be put in danger by the lien sale.

(4) Automatically exempt liens on vacant land and unoccupied buildings, and move them into affordable redevelopment programs where possible; determine which properties are already used as community spaces and preserve them as such.

Intro 1385-A fails to exempt vacant land, a precious City resource, allowing potential sites for deeply affordable residential or commercial properties to sit neglected and debt-encumbered for years. These properties – over 650 lots in 2015 – represent an enormous opportunity for both affordable housing development and the amelioration of substantial health and safety risks for local residents. The City cannot claim that it has no land on which to build affordable housing, all the while overlooking and squandering this important development opportunity. For these reasons, we urge the Council to automatically exempt vacant land and buildings from the tax lien sale and re-route vacant properties into appropriate preservation pipelines. The bill promises four more years of disappearing community centers, languishing vacant lots and landlord neglect; the tax lien sale should not be reauthorized for even a year more without the above changes.

In addition to the above changes to Intro 1385-A, we urge the Council to pursue policies to recoup unpaid taxes in ways that support community stability and preserve affordable rental and home-ownership opportunities. For example, the Council should enact legislation to establish a nonprofit “preservation trust” that could purchase certain tax liens on distressed properties. A preservation trust could work with HPD and property owners to keep housing affordable, through regulatory agreements linked to payment plans and debt subordination agreements. Where this was not feasible, the preservation trust could foreclose on the properties and transfer ownership to nonprofit, community-based and -controlled housing groups such as CDCs, mutual housing associations, and community land trusts, which are mission-driven to keep housing permanently affordable.

The above strategy depends, however, on Intro 1385-A expanding the definition of “distressed” in order to automatically exempt a wider pool of multifamily properties from the lien sale and divert those properties to a preservation pipeline. If the tax lien sale program must be reauthorized at all before a not-for-profit preservation trust is ready to purchase debt from the City, we urge that the bill be amended to limit the time of the authorization to a single year.

I am providing with my written testimony a two-pager with further background on the tax lien sale. NYCCLI welcomes the opportunity to further discuss our concerns and recommendations with the Council. Thank you.

NYC's Tax Lien Sale: A Missed Opportunity to Preserve and Stabilize Affordable Housing

Recommendations re: Intro 1385-A

**NYC Community Land Initiative | Mutual Housing Association of NY | Community Development Project of the
Urban Justice Center | 596 Acres, Inc. | New Economy Project
Urban Homesteading Assistance Board**

NYC's Tax Lien Sale destabilizes neighborhoods by fueling speculation and deregulation of affordable housing, loss of not-for-profit and community spaces, and warehousing of valuable vacant and neglected land and buildings. Our organizations have decades of experience working with property owners and communities harmed by the tax lien sale. We call on the NYC Council to amend the tax lien sale reauthorization bill, Intro 1385-A, as described herein, and to enact legislation to establish a preservation trust that could purchase tax liens on distressed properties as a means of preserving affordable housing. Without these critical changes, we urge members to vote NO on Intro 1385-A.

BACKGROUND

What is the NYC Property Tax Lien Sale?

Each year, NYC's Department of Finance sells off unpaid property tax, water/sewer, and other liens in bulk at a discount to a private bank-controlled trust. The trust then owns and collects on these debts, charging property owners 9 to 18 percent interest, compounded daily, and unlimited legal fees. If property owners do not pay, the trust can initiate foreclosure proceedings. The tax lien sale was created in 1996 by the NYC Council and Mayor Giuliani to replace the City's system of taking delinquent properties through *in rem* foreclosure. Under Mayor Giuliani, the City discontinued its commitment to using the *in rem* process to preserve affordable housing in conjunction with nonprofits, through programs that resulted in the creation and preservation of tens of thousands of affordable units.

Which properties does the tax lien sale cover?

Most NYC property liens are subject to the sale. These include liens on one-to-three family homes, multifamily properties, unoccupied structures and vacant lots, and commercial properties—including properties owned by not-for-profit and faith-based organizations that are statutorily exempt from property taxes under NYS law.

Which properties are exempt from the tax lien sale?

Liens on HDFC cooperatives and "distressed" multifamily properties are exempt from the sale. Distressed properties are defined as having a lien-to-value ratio of 15 percent or more and either five or more hazardous or immediately hazardous conditions under the City's Housing Maintenance Code or \$1,000 or more in Emergency Repair Program liens. Certain owners of residential condominiums and Class 1 (1-3 family) housing may apply for exemption from the lien sale, including low-income seniors, persons with disabilities, active-duty military personnel, veterans, and Gold Star parents.

What are the problems with the tax lien sale?

NYC's lien sale takes a largely one-size-fits-all approach to tax delinquency, forfeiting the City's leverage over crucial affordable housing resources and disproportionately harming low-income New Yorkers and communities of color. The narrow exemptions for multifamily properties mean that many buildings, already in poor condition, deteriorate further as owners face quickly escalating debts and neglect repairs. Elderly and infirm homeowners often do not receive or understand the City's notice of intent to sell their tax liens, and many low-income owners cannot afford the limited payment plan options. Not-for-profit organizations are forced to sell or risk losing their properties to foreclosure, or use charity funds to pay fees and taxes they should not owe. Vacant lots with absentee owners languish for years after the sale

and become further neglected. Many properties, in fact, enter the tax lien sale for multiple years, as debts on these properties pile up so high that they can never be reclaimed for affordable community uses.

What are the problems with Intro 1385-A?

Intro 1385-A would reauthorize NYC's lien sale for four years and mainly preserve the status quo. The bill specifies payment plans and installment agreements that can lead a property out of the lien sale, as well as preferred—but not mandatory—notice strategies. Intro 1385-A would do nothing to protect existing affordable housing from the risks of the lien sale and subsequent speculation, nor would it use the City's leverage over delinquent properties as a mechanism to create or preserve affordable housing. Vacant property liens would remain in the sale. The bill fails to provide an automatic exemption for not-for-profit owners; if it becomes law, communities would continue to lose churches, food pantries, and community centers as a result of the lien sale.

NYC's current tax lien sale policy represents a missed opportunity to preserve and stabilize affordable housing and other valuable community spaces. Our organizations call on NYC to make the following changes to Intro 1385-A and to enact legislation to establish a preservation trust.

RECOMMENDED CHANGES TO NYC'S LIEN SALE

We call on NYC Council to amend Intro 1385-A to:

- **Expand the definition of distressed multifamily properties** exempted from the lien sale, so these properties can be guided onto pathways for long-term affordable preservation. "Distressed" multifamily properties should include buildings with a lien-to-value ratio of 10 percent or more; three or more B and C violations for Class 2 buildings; and buildings that have entered the lien sale multiple times.
- **Include stronger notification requirements** to ensure that NYC notifies property owners via phone, email, and posted listing before a lien is sold.
- **Automatically exempt liens on property owned by not-for-profit organizations** eligible for NYS Real Property Tax Law 420-a tax exemptions, whether or not they have submitted an application for property tax exemption or not.
- **Automatically exempt liens on vacant land and unoccupied buildings**, and move them into affordable redevelopment programs where possible; determine which properties are already used as community spaces and can be preserved as such.
- **Impose post-sale limits on legal fees** that the trust may charge property owners.
- **Establish affordable income-based payment plans** for low-income homeowners.

ESTABLISH A PRESERVATION TRUST

Adopt legislation to establish a preservation trust to purchase tax liens on distressed properties in order to preserve them as affordable housing, more expeditiously than the City currently does for distressed properties. It is important to make this City *law*, rather than leave determination of exemptions, *in rem* foreclosure, and disposition to the discretion of the Department of Housing Preservation and Development. The preservation trust would, for example, work with HPD and current property owners to ensure the preservation of affordable housing (e.g., through subordination of the debt in exchange for regulatory agreements) or, where foreclosure becomes necessary, transfer properties to new preservation-minded owners such as nonprofit community development corporations, mutual housing associations, and community land trusts. These models, in particular, can help make preservation for affordable housing and other community uses more viable through geographic clustering and economies of scale.

Prepared on January 9, 2017



**Testimony before
New York City Council Committee on Finance
Proposed Int. No. 1385-A
January 11th 2017**

Thank you members of the Committee on Finance for the opportunity to speak here today in the matter of Proposed Int. No. 1385-A. My name is Edward Ubiera, Director of Policy for the Local Initiatives Support Corporation's New York City Program. I am submitting this written testimony on behalf of LISC New York City.

About LISC

LISC is a national nonprofit community development financial institution (CDFI) supporting local champions of equitable development with financing, capacity building, and technical assistance. For almost 40 years, we've been on the ground building affordable housing and improving communities in collaboration with mission-driven organizations, government partners, and corporate leaders. Since our founding in 1979, we've helped to rebuild neighborhoods across New York City by investing over \$2 billion in capital, resulting in over 40,000 units of affordable housing and over 2 million square feet of retail and community space. In 2016 alone, we supported our local partners in preserving or constructing roughly 2,000 units.

LISC Has Been A Close Partner To NYC In Preserving Affordable Housing, Low-Rent Housing Remains At-Risk

LISC was a partner to the City when disinvestment and abandonment necessitated the establishment of the *in rem* program whereby the City took direct ownership of tax delinquent properties and assumed responsibility for day-to-day maintenance and operating costs. As this portfolio grew and the City faced prohibitive maintenance costs associated with the *in rem* portfolio – over \$500 million annually – we understood the need in 1996 for the creation of a Tax Lien Sale program to improve real property tax compliance, limit delinquent municipal charges, and encourage responsible stewardship of multifamily rental housing by private owners. To complement this new enforcement mechanism and help preserve properties in the *in rem* portfolio, LISC together with Enterprise and HPD founded the Neighborhood Restore Housing Development Finance Corporation (Neighborhood Restore) to oversee the management and rehabilitation of distressed housing through HPD's Third Party Transfer program (TPT). LISC also helped to launch the New York City Acquisition Fund, an initiative to fund property acquisition and predevelopment costs for affordable housing development.

The preservation of affordable housing remains a strategic priority for LISC. To that end, we applaud the Mayor's Housing New York Plan as an appropriate blueprint to preserve low-rent housing in each of the five-boroughs. At LISC, we are keenly aware that an overheated real estate market has created a crisis in housing affordability and supply. The facts on the ground are daunting. More than 50% of households in New York City are currently rent-burdened. The rental

vacancy rate hovers stubbornly at or near 3%, a threshold low-enough to continue to merit a housing emergency per the state's Rent Stabilization Laws. The supply of affordable unsubsidized rental housing, by far the largest housing stock available to low-income renters, continues to shrink at a rapid pace. The NYU Furman Center, analyzing data from the 2014 Housing Vacancy Survey, reports that between 2011 and 2014, the stock of affordable unsubsidized units decreased by approximately 124,000 units.

Preservation Opportunities Becoming Increasingly Difficult, Creative Strategies Needed

Community based organizations with strong track records in real estate development want to be part of the solution. However, inflated prices on land and speculative behavior from large private investors have made it very difficult for many mission-driven organizations to acquire and preserve multifamily properties in support of the Mayor's stated goal of preserving 120,000 units. At LISC, we believe that creative strategies must be pursued to preserve affordable housing in this highly competitive marketplace. We believe one such strategy is the better leveraging of municipal debts owed by owners of multifamily rental housing with a goal of affordable housing preservation.

Tax Lien Program, Successful As Enforcement Mechanism, In Need of Reform

As an enforcement mechanism and a cost saving measure, the Tax Lien Sale program has by all accounts been successful. Delinquencies for property taxes and other municipal charges have declined. The program has created a steady revenue stream for the City, netting over \$70 million as of fiscal 2015. HPD and Neighborhood Restore, through the TPT program, have been successful in helping to reposition many of the units the *in rem* portfolio with over 5,000 units preserved. The stock of *in rem* housing declined dramatically saving the City millions.

Today, there is emerging consensus that the Tax Lien Sale program reflects somewhat of a missed opportunity for affordable housing preservation. Each year, debts on roughly 5,000 properties are sold. The debts of multifamily properties sold often reflect properties exhibiting some sign of physical and financial distress. Many of these properties are not eligible to enter the TPT program and are not directed into a preservation program. Based on field work by many of our local partners and public reporting by the IBO, the Citizens Housing Planning Council, University Neighborhood Housing, and the Public Advocate's Office, we observe that:

- ✓ Roughly 36% of multifamily properties become more physically distressed within one year of sale of their tax liens, increasing the risk of deterioration of nearby buildings,
- ✓ A significant share of multifamily properties – roughly 70% – cycle through the tax lien process multiple times with owners/operators never addressing the underlying conditions that contributed to tax delinquency in the first place,
- ✓ In order to pay their liens, owners often overleverage their properties by borrowing from private sources to raise revenue and in some cases make the decision to simply sell their properties. As debts pile up and the risk of foreclosure increases, there is greater likelihood that existing tenants may face eviction and displacement, and
- ✓ Small homeowners and many local nonprofits find it difficult to navigate the tax lien process often not knowing how to resolve municipal arrears, how to effectively claim property tax exemptions, or how to process and remain current on payment plans.

Reauthorization of Tax Lien Sale Program, Recommendations Going Forward

In our view, Intro 1385 brings some needed but mostly incremental changes to the Tax Lien Sale program. We welcome proposals in the bill that strengthen the mechanisms for notification and outreach to owners prior to lien sale including the requirement that owners be surveyed to better understand why their properties became subject to lien sale and the requirement that the City share post lien sale outcomes with the City Council.

LISC is broadly supportive of the need to expand preservation outcomes for physically and financially distressed properties that enter the tax lien sale program. We are encouraged with efforts underway by the City to explore administrative ways of more quickly identifying a larger pool of distressed properties that more effectively steer these properties into a preservation program prior to lien sale. These efforts include discussions on how to expand the scope and targeting of the TPT program.

We believe a recent proposal outlined by the Public Advocate's Office merits additional discussion and consideration by the City Council and aligns well with some of the observations from local partners. The Public Advocate proposes the creation of a mission-driven, Preservation Trust authorized to purchase liens of multifamily properties from HPD that meet the statutory definition of distress but are presently not included in the TPT program. This proposal includes amending the statutory definition of distress to include multifamily properties that have 3 code violations per unit, a lien to value ratio of 10 percent, and have cycled through the Tax Lien Sale program multiple times. This would greatly expand the pool of properties available for preservation. It is our further understanding that this proposal aims to be fiscally neutral, at least in relation to the revenues earned by the Tax Lien Sale program, and would require philanthropic capital to seed its operations.

Subsequent to a purchase of tax lien debts, this Preservation Trust would work with owners as well as the City to stabilize operations in these multifamily properties and enter into regulatory agreements. In other, and likely rare cases, the Preservation Trust would purchase the tax liens, seek a foreclosure resolution, and work to transfer ownership of these properties to a mission-driven owner. By some estimates, if a Preservation Trust had been in effect as of fiscal 2015 to purchase tax lien debt of projects not placed into TPT, roughly 6,000 units would be on a pathway towards preservation.

In summary, we encourage the City Council and the administration to remain proactive after reauthorization of the Tax Lien Sale program and consider additional options on how to best leverage delinquent municipal debt to preserve multifamily rental housing.

Thank you for the opportunity to testify.

Edward Ubiera
Director of Policy
Local Initiatives Support Corporation (LISC New York City)
212-455-9584
eubiera@lisc.org



**Testimony before the City Council Committee on Finance:
Sale of Tax Liens and Notice to Property Owners When Property Tax Bills are Available Online**

January 11, 2017

Good afternoon. My name is Caroline Nagy, and I am the Deputy Director of Policy and Research at the Center for NYC Neighborhoods. I would like to thank Chair Ferreras-Copeland and the members of the Committee on Finance for holding today's hearing regarding the sale of tax liens in New York City.

About the Center for NYC Neighborhoods

The Center promotes and protects affordable homeownership in New York so that middle- and working-class families are able to build strong, thriving communities. Established by public and private partners, the Center meets the diverse needs of homeowners throughout New York State by offering free, high quality housing services. Since our founding in 2008, our network has assisted over 40,000 homeowners. We have provided approximately \$33 million in direct grants to community-based partners, and we have been able to leverage this funding to oversee another \$30 million in indirect funding support. Major funding sources for this work include the New York City Department of Housing Preservation and Development, the New York City Council, and the Office of the Attorney General, along with other public and private funders.

Every year, the Center works to keep as many homeowners as possible out of the lien sale by conducting direct outreach to homeowners on the pre-lien sale lists, and by coordinating with our network partners to assist homeowners in obtaining a payment plan or qualifying for an exemption. We also support homeowners who have had tax liens sold by connecting them to foreclosure prevention services and, in cases where a tax lien foreclosure is imminent, by providing interest-free loans through our Mortgage Assistance Program to pay off liens.

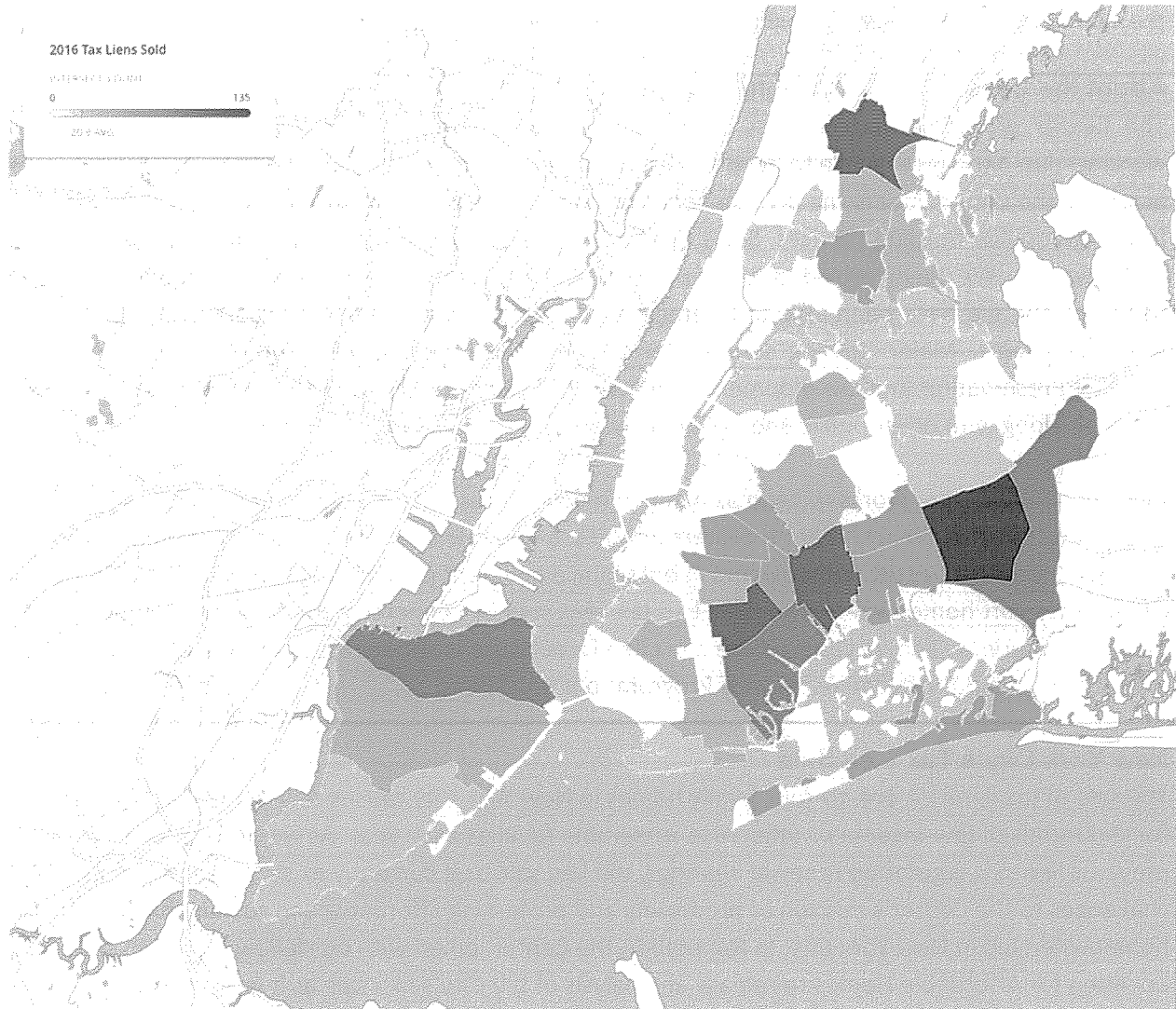
New York City's Tax Lien Sale

The sale of tax liens for one-to-four family homes in New York City causes severe financial hardships for thousands of low-income or otherwise vulnerable families each year. As we have testified at previous lien sale legislation renewal hearings, the lien sale as it currently exists presents significant challenges to the Center's mission of promoting and protecting affordable and sustainable homeownership in New York City. In November, the Center joined with our fellow members of the Coalition for Affordable Homes to release an analysis of the City's lien sale as it impacts homeowners of Class 1 properties (properties with 1-3 units).¹

The analysis confirmed many of the Center's concerns regarding the impact of the lien sale, specifically regarding its disproportionate impact on communities of color, the steep interest and fees charged to homeowners, and the impact of the lien sale on the loss of affordable housing in New York:

¹ Coalition for Affordable Homes, *Compounding Debt: Race, Affordability, and NYC's Tax Lien Sale*.

- **The tax lien sale disproportionately impacts communities of color.** Tax liens that are sold through the City’s lien sale are heavily concentrated in communities of color, the same communities that have been hard hit by predatory lending and high rates of foreclosure. For Class 1 liens sold in 2016, the analysis found that the City is six times more likely to sell a lien in a majority African American neighborhood than in a majority white neighborhood. The City is twice as likely to sell a lien in a majority Hispanic neighborhood than in a majority white neighborhood.



- **Once sold to private investors, debts to homeowners mount quickly.** While a homeowners may enter into the tax lien sale with a relatively small debt, interest rates and fees can often double in a relatively short period of time. The Coalition for Affordable Homes analysis of a sample of lien sale payoff statements found that the median debt of \$6,562 increased by 65 percent to \$10,847 once fees and interest rates were included. Homeowners in the sample paid an average of \$2,730 in legal expenses, an excessive amount. These debts can further destabilize homeowners who were already in a precarious financial position.

- **The tax lien sale contributes to property turnover and speculation.** The communities most impacted by the sale of Class 1 liens, such as East New York and Jamaica, are already those most impacted by speculative property transactions.² For homes that have liens sold, the analysis found that the tax lien sale process may contribute to the displacement of longtime homeowners and their renters: of Class 1 liens sold in Brooklyn in the 2011 lien sale, nearly half (42 percent) were sold within five years of the lien sale, compared to 13 percent of all such properties in the borough during that period.

The Proposed Renewal Legislation Makes Important Reforms But Does Not Go Far Enough

When the lien sale was last renewed in 2015, the legislation called for the creation of a task force to review and evaluate the City’s lien sale program. The resulting task force report found that the lien sale is successful in its primary purpose “to increase the collection of debts owed to the City in order to provide funds for government services, and to minimize cost-shifting from tax delinquent property owners to tax compliant ones.” It acknowledged that the City also aims “to make the Program efficient and fair and to ensure that protections exist to avoid any additional financial burden on property owners or, in extreme cases, the needless loss of property ownership,” but only to the extent that any changes are consistent with its primary purpose.³

To that end, the task force recommended limiting the number of liens sold each year by improving notification to at-risk property owners, providing greater flexibility to owners making good faith efforts to repay their debt, modifying payment plans to make them more affordable, and lowering interest rates for delinquent taxes. The task force also recommended creating clear and user-friendly bills and notifications, conducting further research to the impacts of the lien sale on property owners and their communities, and assessing whether other city priorities, like preserving affordable housing, could be advanced through the City’s debt resolution policies.

Int. 1385A-2016, the proposed lien sale renewal legislation, moves a number of these recommendations forward:

- For tax debts, it gives property owners a one-time opportunity to enter into a second payment plan with a twenty percent down payment if the owner has defaulted on the first payment plan. It also gives owners with DOF payment plans the option of entering either monthly or quarterly payment plans. For DEP liens, DEP has the discretion to choose either monthly or quarterly options.
- It clarifies that the interest rate on liens sold is that set by the City for nonpayment of taxes on Jan 1 of the year the lien is sold. Thus, the rate for liens sold in 2017 will be six percent for

² Center for NYC Neighborhoods, House Flipping is a Flop for NYC Neighborhoods. April 18, 2016. Available at: cnycn.org/2016/04/house-flipping-is-a-flop-for-nycneighborhoods

³ New York City Lien Sale Task Force, Report of the Lien Sale Task Force, September 2016. Available at: council.nyc.gov/downloads/pdf/Lien-Sale-Task-Force.pdf, at 12.

assessed values under \$250,000, though the nine percent rate for water liens remains, as does the eighteen percent rate for property tax on assessed values over \$250,000.

- The bill expands the sale of HPD Emergency Repair Liens to non-owner occupied one-, two-, and three-family homes.
- The bill improves communications to property owners impacted by the lien sale, requiring DOF to notify property owners by email when property tax bills are mailed, if an email has been registered with the City. It also requires DOF and DEP to contact by phone or email property owners on the 90-day lien sale list, if an email or phone number has been registered with the City, though it notes that failure to do so will not invalidate the sale.
- Finally, it requires information about the lien sale to be made public, information on what happens to properties after the lien sale, including charges accrued to properties after the lien sale, whether the property has been sold, or whether the lien is in foreclosure.

These are positive developments that will certainly help to reduce the numbers of properties impacted by the lien sale, and we thank City Council and the de Blasio administration for taking the initiative to make these improvements. We are particularly appreciative of the improvements to pre-sale notifications, lowering the tax lien interest rate, and the new option of entering into a second repayment plan. We are also enthusiastic about the integration of financial counseling and financial empowerment into lien sale outreach. However, the legislation still does not go far enough to address our serious concerns about the impact of the lien sale on homeowners and their communities.

To start, the City's Lien Sale Task Force report called on the City to assess whether the resolution of outstanding debt could be an opportunity to advance other city priorities, but this is not reflected in the bill. Specifically the bill does not address the need to support the preservation of affordable housing that is put at risk by the lien sale each year. It does not address the need for more flexible repayment plans that are based on a homeowner's ability to pay, though DOF has proposed to examine adopting such plans in 2017. It also does not make reforms for heirs who have inherited debts along with their property and struggle to negotiate payment plans with the City without obtaining an expensive Surrogate Court Order. Finally, it does not address excessive post-sale legal fees imposed by the lien sale trust, nor does it lower interest rates for water debt.

Therefore, we respectfully urge City Council to strengthen the lien sale legislation by adopting the following recommendations:

1. Provide more flexible payment options to low-income homeowners

Current policy does not take a homeowner's income into account when determining exemptions from the lien sale (unless the homeowners is also a senior or has a disability) or when negotiating payment plans. This leaves many low-income homeowners without options when seeking to avoid the lien sale and keep their home. Rather than selling their debts to private investors, the City can develop new approaches, specifically by expanding the Water Debt Assistance Program and offering income-based repayment plans.

One promising approach can be seen in the City's Water Debt Assistance Program, which allows qualifying homeowners at risk of water lien foreclosure to defer the debt to the City and be excluded from the lien sale. The debt becomes "frozen," meaning it will not be sold but instead will be repaid upon sale, refinance, or death. This program should be used as a model to expand exemptions for other low-income or vulnerable households, such as low-income homeowners who do not owe a mortgage on their home, but fall behind on their payments due to economic hardship. It should also be expanded to include tax debt as well as water debt.

Other homeowners will be able to repay their debts to the City if the payments are set to affordable levels based on their income. An income-based payment plan would provide tax revenues for the City while keeping payment burdens manageable for vulnerable homeowners. Income-based repayment plans are commonly used for federally-backed student loans and have been adopted for property tax payments in Philadelphia.

It is encouraging that DOF plans to investigate new repayment plan options for low-income taxpayers. However, greater legislative direction would be useful to ensure that these options are implemented, and we encourage you to amend the proposed legislation to this end.

2. Reduce post-sale charges to homeowners

Once liens are sold, homeowners face excessive interest rates and legal fees. While the interest rate reduction for some property tax liens is a promising development, water debt interest rates remain at nine percent, a high rate given current low interest rates at the national level. Additionally, there are no limitations on legal fees, which can become excessive. Therefore, we recommend amending the proposed legislation to lower water interest rates and restrict legal fees to reasonable charges that are rationally related to the amount of work incurred when servicing homeowners' liens.

3. Improve options for heirs inheriting tax debts

Many heirs struggle to pay off the debt that came with the property they inherited. Unfortunately, under current practices, DOF will not enter into payment plans with heirs unless they have a Surrogate's Court order that names them administrator of the estate. For many families, obtaining these orders can be expensive and is cost-prohibitive. This policy causes unnecessary hardship for low-income heirs and puts them at risk of the lien sale, even when they are making efforts to resolve the debt. Therefore, the lien sale reauthorization legislation should address this issue and develop more explicit guidance regarding the ability of heirs without Surrogate's Court orders to enter into payment plans with the City and avoid the lien sale.

4. If these reforms cannot be made before renewal, reduce the renewal period to one year

Significant progress has been made towards reforming the lien sale since its last renewal. While the proposals found in Int. 1385A are a promising step forward, we believe more can be accomplished to keep the momentum going forward. Therefore, we recommend shortening the renewal period from four years to one year.

Moving to Solutions

Thank you for the opportunity to testify today. At the Center, we are committed to working with City Council and the de Blasio administration to reduce the impacts of the lien sale on low- and moderate-income homeowners. We thank the City Council and the de Blasio administration for the reforms contained within this legislation and look forward to continuing to partner with you on further improvements.

Ortiz Testimony

My name is Edwin Ortiz, and I am a homeowner in Corona, Queens. My wife and I have lived in our two family house, where we raised our children and now hope to grow old, for almost sixteen years. However, we are at risk of losing our home to a tax lien foreclosure.

There are two tax liens on my property, one from water and one from property taxes. These debts were sold in 2008 and 2009, and a foreclosure case was brought on them both in 2009. The only reason my home has not been auctioned in foreclosure is because I have entered into three payment plans for each lien.

However, I defaulted on all six payment plans, as each one required a very large down payment of 2 to 3 thousand dollars and the monthly payments were larger than I could comfortably afford. These plans also did not stop the foreclosure case; they just put it on hold.

One of my liens sold for \$1,400 in 2008, and even though I have paid almost \$13,000 towards it, I still owe \$5,200. My other lien sold for \$5,700 in 2009, and even though I paid more than \$11,000, I still owed \$6,200 to pay it off.

Fortunately, with the assistance of The Legal Aid Society, I have applied for funds from the Human Resources Administration to pay off the remaining debt in full and finally end the foreclosure case and save my longtime home.

Thank you.



Katie Goldstein, Executive Director

New York State Tenants & Neighbors

Testimony as Prepared

January 11, 2017

New York City Council Committee on Finance

Re: Intro 1385-A

Good afternoon. Thank you for the opportunity to submit testimony today.

My name is Katie Goldstein and I am the Executive Director for New York State Tenants & Neighbors Information Service and New York State Tenants & Neighbors Coalition, two affiliate organizations that share a common mission: to build a powerful and unified statewide organization that empowers and educates tenants; preserves affordable housing, livable neighborhoods, and diverse communities; and strengthen tenant protections. The Information Service organizes tenants in at-risk rent regulated and subsidized buildings, helping them preserve their homes as affordable housing, and organizes administrative reform campaigns. The Coalition is a 501c4 membership organization that does legislative organizing to address the underlying causes of loss of affordability. Our membership organization has over 3,000 dues-paying members.

Tenants & Neighbors organizes in rent-regulated, Mitchell-Lama, and project-based Section 8 developments citywide. In the buildings where we organize, the story is the same. Low and moderate income tenants in New York City are regularly experiencing the pressures of displacement. Rents are climbing and tenants are concerned that they will not be able to afford to stay in their homes and communities.

Tenants & Neighbors is testifying today to call in the New York City Council to amend the tax lien reauthorization bill and to enact legislation to establish a preservation trust that could purchase tax liens on distressed properties as a means of preserving affordable housing in a way that protects tenants' interests. Without these critical changes, we urge members to vote "No" on Intro 1385-A. NYC's Tax Lien Sale destabilizes neighborhoods by fueling speculation and deregulation of affordable housing, loss of not-for-profit and community spaces, and warehousing of valuable vacant and neglected land and buildings.

According to studies from the Independent Budget Office, the Furman Center on Real Estate and Urban Policy, and the Public Advocate's office, the current tax lien sale provides a real threat to existing affordable housing. As outlined in the studies, the following effects have occurred during the tax lien sale: losing rent stabilized units (the IBO reported that 50% of rent stabilized units in multifamily buildings going through the tax lien sale are lost); the flipping and speculative purchasing of the

mortgages or deeds of these buildings; worsening living conditions, as documented by increased numbers of violations per unit for buildings that go into the tax lien trust; and the harassment of tenants and displacement of low income residents, leaving buildings vacant and at risk of further speculative purchasing and losing rent stabilized units. As the affordable housing crisis only gets worst for low-income New Yorkers, the city must use every tool at their disposal to preserve affordable housing and protect low-income tenants. Allowing the tax lien sale to go through as is would unnecessarily give away important leverage the city needs to help to alleviate the affordable housing crisis for New York City's tenants.

We look forward to working continuing our work with the Council to find real solutions to the affordable housing crisis and to restrict those actors who are contributing to the crisis with increased oversight. Thank you very much for the opportunity to testify today.

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

Name: Shut Amit Warren (PLEASE PRINT) on behalf of Manhattan Borough president

Address: 1 Centre Street, 5th Floor, Gale A. Brewer

I represent: WEA

Address: 1872 Amsterdam Ave NY 10021

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1388 Res. No. _____

in favor in opposition

Date: _____

Name: Edwin Ortiz (PLEASE PRINT)

Address: 108-46 52nd Ave Corona NY 11368

I represent: Client of The Legal Aid Society

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385 Res. No. _____

in favor in opposition

Date: _____

Name: Jenny Braun-Friedman (PLEASE PRINT) 1385

Address: 153-01 Jamaica Avenue, Suite 202

I represent: The Legal Aid Society

Address: Client of The Legal Aid Society

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385 Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Cardine Nagy
Address: 721 Franklin Ave, Brooklyn
I represent: Center for NYC Neighborhoods
Address: 17 Battery Place

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385 Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: YASIR
Address: _____
I represent: Almuneer Foundation / 596 Acres
Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385 Res. No. _____
 in favor in opposition

Date: 11/11/17

(PLEASE PRINT)

Name: Ashley Garcia
Address: _____
I represent: 596 Acres & Lincoln Square Legal Services
Address: Brooklyn, NY

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 1385A Res. No. _____

in favor in opposition

Date: 1/11/17

(PLEASE PRINT)

Name: SMON SPOKOTTS

Address: one meadow N. 11th St NY 10011

I represent: MHANY Management Inc

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 1385 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: AC Paula Segal

Address: One Centre St

I represent: NY Urban Justice Center

Address: 123 William St.

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 1385 Res. No. _____

in favor in opposition

Date: 1/11/17

(PLEASE PRINT)

Name: COMMISSIONER, JACQUES JILKA, Ph.D.

Address: One Centre St.

I represent: NYC Dept of Finance

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: AC, Samara Karashik

Address: One Centre St.

I represent: NYC Dept. of Finance

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: DC - Jeff Shear

Address: One Centre St.

I represent: NYC Dept. of Finance

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385-A Res. No. _____

in favor in opposition

Date: 1/11/17

(PLEASE PRINT)

Name: JOHN KRINSKY

Address: 309 WEST 104th ST # 40 NY NY 10025

I represent: NEW YORK CITY COMMUNITY LAND INITIATIVE

Address: c/o NEW ECONOMY PROJECT, 121 WEST 7th ST, Suite 801
NY NY 10001

◆ Please complete this card and return to the Sergeant-at-Arms ◆

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 1/11/17

(PLEASE PRINT)

Name: Elizabeth Stojan

Address: ~~1 Whitehall St~~

I represent: Enterprise Community Partners

Address: 1 Whitehall St.

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385-A Res. No. _____

in favor in opposition

Date: January 11, 2017

(PLEASE PRINT)

Name: Jacquelyn Griffin

Address: 1360 FULTON ST, STE 301

I represent: ~~BRADLEY~~ LEGAL SERVICES NYC

Address: same

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385-a Res. No. _____

in favor in opposition

Date: 1/11/17

(PLEASE PRINT)

Name: JANNON STEIN

Address: 1793 RIVERSIDE DR. APT 36, NY, NY, 10034

I represent: 596 ACRES / LINCOLN SQUARE LEGAL SERVICES

Address: 150 W 62nd St, NY, NY

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385 Res. No. A

in favor in opposition

Date: 1/11/2017

(PLEASE PRINT)

Name: SAMANTHA KATTAN
Address: 120 WALL ST 20TH FL - 390 QUINCY ST
I represent: UHAB BROOKLYN
Address: 120 WALL ST 20TH FL - NY

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 1385 Res. No. _____

in favor in opposition

Date: 1/11/17

(PLEASE PRINT)

Name: Edward Ubiera
Address: 501 7th AVE
I represent: LOCAL Initiatives Support Corp (LISC)
Address: 501 7th AVE

Please complete this card and return to the Sergeant-at-Arms