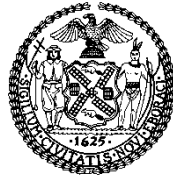


Staff:

Tanisha Edwards, Chief Counsel
Rebecca Chasan, Assistant Counsel
Emre Edev, Unit Head
Kate Seely-Kirk, Senior Financial Analyst
Sarah Gastelum, Financial Analyst
Jia Feng, Legislative Assistant



THE NEW YORK CITY COUNCIL
LATONIA MCKINNEY, DIRECTOR, FINANCE DIVISION

COMMITTEE ON FINANCE
JULISSA FERRERAS. CHAIR

January 8, 2015

INT. 612

By: Ferreras, Menchaca, Torres, and Williams

TITLE:

To amend the administrative code of the city of New York, in relation to the sale of tax liens.

On Thursday, January 8, 2015, the Committee on Finance will consider Int. 612, a local law to amend the Administrative Code in relation to the sale of tax liens.

A. BACKGROUND

A lien is a legal claim against real property for unpaid property taxes, water, sewer or other property charges, as well as the interest due on these taxes and charges.¹ When outstanding amounts have been delinquent for a legally specified period of time, and the City has mailed notice

¹ See generally, NYC Administrative Code, Title 11, Chapter 3.

to the property owner, the City of New York is allowed to sell the lien(s) to an authorized third party, who becomes the “tax lien purchaser”.² The new tax lien purchaser then has the authority to collect the money that was previously owed to the City, plus other fees and interest.³

B. LEGISLATIVE HISTORY

In the spring of 1996, the Council adopted Local Law No. 26 of 1996, which provided that “a tax lien or tax liens on a property or any component of the amount thereof may be sold by the city when such tax lien or tax liens shall have remained unpaid in whole or in part for one year, provided, however, that a tax lien or tax liens on any class 1 property or on class 2 property that is a residential condominium or residential cooperative, as such classes of property are defined in subdivision 1 of section 1802 of the real property tax law, may be sold by the city only when the real property tax component of such tax lien or tax liens shall have remained unpaid in whole or in part for three years....” Local Law No. 26 did not permit the City to sell *any* tax lien or tax liens that did not contain a real property tax component. In other words, tax liens on any property that were comprised solely of unpaid water and sewer charges and/or non-property tax lienable charges could not be sold by the City.⁴

In 1997, and again in 2001, the Council enacted legislation that extended the Commissioner’s authority to sell tax liens.⁵ Together, these local laws excluded from the lien sale property owned by a company organized pursuant to article XI of the State Private Housing Finance Law, and allowed the sale of liens on class 4 properties with only a water or sewer component so long as the property was in arrears for a minimum of one year. In 2006, after a series of

² See NYC Administrative Code § 11-332.

³ See *id.*

⁴ See Local Law 26 of 1996, as codified in NYC Administrative Code § 11-319 (a).

⁵ See Local Law 98 of 1997 and Local Law 26 of 2001.

amendments and extensions, the tax lien program, pursuant to Local Law 2 of 2006, was extended until August 31, 2006.⁶

In 2007, the Council enacted Local Law 68 of 2007 which reauthorized and extended the Commissioner's authority to sell tax liens based on delinquent property taxes or delinquent water and sewer charges until December 31, 2010.⁷ This legislation authorized the Commissioner for the first time to conduct stand-alone lien sales of delinquent water and sewer charges on certain residential properties.

In 2011, the Council again enacted legislation that extended the Commissioner's authority to sell tax liens.⁸ Local Law 15 of 2011 made significant changes to the lien sale law, as described in more detail below, and added a host of property owner protections that had never before existed in the law. The legislation also authorized the Commissioner to sell liens for delinquent charges pursuant to the Emergency Repair Program and the Alternative Enforcement Program. The Commissioner's authority to sell tax liens under Local Law 15 expired on December 31, 2014.

C. Delinquency Rates

1. Property Tax Delinquency

Since the lien sale was first implemented in 1996, the Commissioner has had the authority to sell the liens of properties with unpaid real property taxes. One goal of the tax lien sale program was to increase property tax collections and thereby lower the delinquency rate. According to the 1999 Mayor's Management Report, the real property tax delinquency rate was almost 5 percent in the early to mid-1990s, before implementation of the tax lien sale program. The following table shows the property tax delinquency rates from Fiscal 1995 (the year before the enactment of Local Law 26 of 1996) through 2008 from data provided by the Mayor's Office of Management and Budget:

⁶ See NYC Administrative Code § 11-319(b).

⁷ See Local Law 68 of 2007.

⁸ See Local Law 15 of 2011.

Property Tax Delinquency Rate: Fiscal 1995-2008

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
4.8%	3.7%	3.7%	3.5%	3.4%	3.1%	2.9%	3.3%	2.7%	2.4%	2.4%	2.0%	2.1%	1.8%

Since 2008, according to the Department of Finance, the percentage of property owners who pay their property tax bills on time remain consistently at 98%.

2. Water and Sewer Charge Delinquency Rate

On October 22, 2007, the Committee on Finance held an oversight hearing to examine the lower than expected rate of collection by DEP of water bills including DEP’s inability to effectively collect overdue bills.⁹ Pursuant to Local Law 2 of 2006, the liens on real property tax class 1 properties and class 2 co-ops and condos were eligible for the lien sale with a minimum of three years in arrears on property taxes only. Class 2 rental properties, class 3 utility properties and class 4 commercial and industrial properties were eligible for the lien sale with a minimum of one year in arrears on property taxes.¹⁰ If the properties had other outstanding liens, like water and sewer charges, those liens were included in the lien sale.¹¹ However, a loophole in the law allowed class 1 properties and class 2 co-ops and condos to bypass the lien sale by paying their outstanding property taxes only, even if there were outstanding water and sewer liens.¹² Though the water lien sale was viewed as a tremendous enforcement tool for delinquent bill payers, DEP’s authority to sell water and sewer liens expired on August 31, 2006.¹³ Subsequent to the expiration of the

⁹ Booz, Allen, Hamilton, “NYC DEP Bureau of Customer Services (BCS) Best Practices Customer Service Model Design Project Report,” Summer 2007.

¹⁰ See NYC Administrative Code § 11-319(a)

¹¹ *Id.*

¹² In Local Law 36 of 2001, the loophole was closed for class 4 properties.

¹³ NYC Administrative Code § 11-319(b). The legislation sunset on August 31, 2006.

Commissioner's authority to sell tax liens, DEP lacked the enforcement power to collect delinquent bills and thus did not have sufficient revenue to operate the Water System.¹⁴

Subsequently, the Administration and the Council agreed to extend the DOF Commissioner's authority to sell tax liens and authorize the City to conduct stand-alone lien sales of delinquent water and sewer charges on certain residential properties.¹⁵ However, all single-family homeowners in class 1, and certain senior citizens, disabled and low-income homeowners owning two- or three-family properties in class 1 were exempt from the sale of water and sewer liens.¹⁶

D. LIEN SALES IN 2008, 2009, and 2010¹⁷

In 2008, following the enactment of Local 68 of 2007, the Commissioner conducted the first stand-alone water lien sale for residential properties. Unlike earlier sales, in which class 1 properties made up about one-quarter of the total number of liens sold, class 1 properties accounted for nearly 50 % of all liens sold, or 2,041 out of the 4,162 liens sold.

In 2009, 24,196 liens received the 90-day notification of their eligibility to be included in the lien sale. At the time of the final sale, the number of liens had dropped considerably to a total of 4,792 liens, representing 19% of liens originally noticed for sale. Of the 4,792 lien sold, 40% (or 1,919) were water-only liens.

In 2010, the pattern of 2009 repeated. 24,963 liens received the 90-day notification of their eligibility to be included in the lien sale. At the time of the final sale, the number of liens had dropped considerably to a total of 4,736 liens, representing 18.9% of liens originally noticed for sale. Of the 4,736 liens sold, 32.3% (or 1,529) were water-only liens.

¹⁴DEP is responsible for the System's operation, maintenance and improvement. *See* §1403 of the New York City Charter, NYS Public Authorities Law § 1045-i (2)(vii).

¹⁵ *See* Local Law 68 of 2007.

¹⁶ The legislation excluded all class 1 owners receiving the Senior Citizen Homeowner Exemption, the Disabled Homeowner Exemption, and the State Personal Income Tax Circuit Breaker; accelerated the sale of property tax liens on certain properties that are deemed abandoned after 18 months in arrears on property taxes, rather than three years; created an ombudsman unit within DEP; and extended the lien sale notification period from 60 days to 90 days.

¹⁷ Information provided by the Office of Management and Budget, on file with the Committee.

The figures above illustrate a few points. These figures first illustrate the primary justification for the lien sale. Since nearly 80% of property owners with liens noticed for sale pay their outstanding charges, most of the money collected in the process of the lien sale comes not from the sale itself, but the settling of accounts by property owners who want to avoid having their lien sold. Additionally, while the legislation decreased the delinquency rate for the non-payment of charges, the lien sale disproportionately affected seniors, as well as low- to moderate-income property owners, since many of the liens sold in the lien sale were concentrated in low- to moderate-income communities throughout Brooklyn and Queens.

E. TAX LIEN SALE REFORM OF 2011

In response, in 2010 and 2011, the City Council held several hearings regarding the tax lien process.¹⁸ During the hearings, the Council heard testimony from property owners, the Administration, and community-based organizations about possible reasons property owners become eligible for the tax lien sale.¹⁹ The Council learned that individuals who were noticed for sale or had their properties sold found it difficult to pay off their debt because of: 1) the high interest rate associated with the debt; 2) the lack of an affordable payment plans; and 3) a lack of communication between the homeowner and the servicer once the lien was sold.²⁰ The Council also learned that many individuals who owed thousands of dollars in debt to the City have escaped the lien sale because they did not have a separate property tax lien or separate water lien. Prior to 2011, tax liens from charges owed to the City could not be sold unless such liens also had a real property tax component or water charge component.²¹

¹⁸ See hearings for Local Law 15 of 2011, held by the Committee on May 6, 2010; February 18, 2011, and March 2, 2011. Information available on the website of the New York City Council, available at <http://legistar.council.nyc.gov/LegislationDetail.aspx?ID=648866&GUID=BD596712-BAC0-48DD-92BE-1B00DB7A8497&Options=Advanced&Search=> (last accessed January 6, 2015).

¹⁹ See *id.*

²⁰ See *id.*

²¹ See *id.*

In response, the Council passed Local Law 15 of 2011, which made significant changes to the lien sale law.²² Those changes included:

- **Water Threshold:** The threshold to be included in the tax lien sale increased for water and sewer liens to 1 year and \$2,000 for 2- and 3-family homes, from prior threshold of 1 year and \$1,000.
- **Additional newspaper publication to properties noticed for sale:** In addition to the newspaper publication provided during 90 days before the lien sale, the new law required newspaper publication 10 days before lien sale, and required mailed notices 60 and 10 days before sale, in addition to the mailed 90 day and 30 day notices.
- **Additional information in notices, and multilingual communication:** Required all lien sale notifications, and bi-annual statements to include: 1) qualifying exemption information; 2) payment plan availability; 3) ombudsperson contact information; and 4) a lien sale process description. Also required that these notifications and the bi-annual (October and January) statements be translated into multiple languages.
- **Post lien sale notifications:** Required DOF to provide property owner with debt information related to the sold lien (interest rate, lien balance, outstanding fees, etc.) and the contact information for the City ombudsperson, within 90 days of a sold lien.
- **Exemption eligibility checklist:** Requires DOF to mail property owners noticed for sale a checklist of potential exemption availability. If one qualifies, such property owner can apply for a qualifying exemption after the exemption deadline (March 15th) has passed.
- **Payment Agreement:** 10-year repayment period. No money down and once entered, property owner will be removed from sale. If property owner defaults on payment agreement, he or she will be banned from entering into another payment agreement for 5 years.
- **Extenuating Circumstances:** In cases where a property owner defaults on a payment agreement, they will be banned from entering into another payment agreement UNLESS extenuating circumstances exist, which include: death or signatory or contributing household member, or loss of income or absence from household of signatory or household member due to loss of employment for at least 6 months, hospitalization for at least 6 months, or court order.
- **Interest rate:** Reduced interest rate from 18% to 9% for properties with an assessed value up to \$250,000. Properties with an assessed value above \$250,000 will be charged with an 18% interest rate.
- **Qualifying Property tax exemption:** Added the veteran's property tax exemption to the list of qualifying eligible property tax exemptions that exclude owners of Class 1 property from the tax lien sale. Active duty military personnel are also exempt.

²² See Local Law 15 of 2011.

- **Transparent Bills:** Required a clear itemization of taxes, interest, and fees on lien sale servicer bills
- **Reasonable fees:** Required fees to be reasonable and bona fide and (in the case of legal fees) customary
- **Servicer Information:** Required servicers to include in all communications to property owner:
 - availability of forbearance agreement
 - explanation of roles of lien servicer and City ombudsperson
 - contact information for servicer and City ombudsperson
- **Property Disposition Report:** Within 120 of lien sale, required DOF and HPD to provide the Council with a description of the disposition of properties that were on the 90 day notice list, and a description of the criteria used to remove properties from the lien sale list at the HPD Commissioner’s discretion, respectively.
- **Lien Sale service report:** Require lien sale servicers to provide Council with a list of foreclosures of properties with sold liens.
- **HDFC inclusion in Lien Sale:** Allowed Housing Development Fund Companies rentals to be sold in the lien sale if such properties have been delinquent in debt for 2 years or more and have accrued \$5,000 in debt.
- **Additional Stand Alone liens:** Allowed tax liens for Emergency Repair charges and Alternative Enforcement charges accrued after January 1, 2006, and delinquent for 1 year and \$1,000. Excludes all residential Class 1 *except* non-owner occupied 3-family in the Alternative Enforcement Program (“AEP”).

The following charts reflect the current thresholds for inclusion in the lien sale:

Charge Type	Thresholds for inclusion in Lien sale
Real Property Tax Liens	<ul style="list-style-type: none"> • Class 1 and Class 2 coops/condos: 3 years delinquent • All other properties (except HDFCs): 1 year delinquent
Water & Sewer Liens	<ul style="list-style-type: none"> • 2 & 3-family homes: 1 year delinquent and \$2,000 owed • All Other properties: 1 year delinquent and \$1,000 owed
Emergency Repair Program (ERP) charges accrued after January 1, 2006 & Alternative Enforcement Program liens	<ul style="list-style-type: none"> • 1 year delinquent and \$1,000 owed for all properties • Excludes all residential Class 1 <i>except</i> non-owner occupied 3-family in AEP
Housing Development Fund Companies (HDFCs) (All charges)	<ul style="list-style-type: none"> • 2 years delinquent and \$5,000 owed

The current law exempts the following properties from the lien sale²³:

<u>Charge Type</u>	<u>Property Type</u>	<u>Qualifying Exemptions</u>
<u>Real Property Tax Liens</u>	<p>Class 1 and Class 2 coops/condos: 3 years</p> <p>HDFCs: 2 years/\$5,000</p> <p>All other properties (except HDFCs): 1 year</p>	<p>Applies only to Class 1 properties who receive;</p> <p>-Senior Citizen Homeowner Exemption</p> <p>-Disabled Homeowner Exemption - NYS Circuit Breaker</p> <p>-Veterans Property Tax Exemption, or is Active Duty Military personnel</p>
<u>Water Charges</u>	<p>2 & 3-family homes: 1 year and \$2,000</p> <p>HDFCs: 2 years/\$5,000</p> <p>All Other properties: 1 year and \$1,000</p>	<p>Applies only to Class 1 properties who receive;</p> <p>-Senior Citizen Homeowner Exemption</p> <p>-Disabled Homeowner Exemption - NYS Circuit Breaker</p> <p>-Veterans Property Tax Exemption, or is Active Duty Military personnel</p>
<u>ERP and AEP liens</u>	<p>1 year and \$1,000 for all properties</p> <p>Excludes all residential Class 1 <i>except</i> non-owner occupied 3- family in AEP</p> <p>HDFCs: 2 years/\$5,000</p>	<u>None</u>

²³ See *id.*

F. LIEN SALE RESULTS AFTER THE 2011 REFORM²⁴

Despite many of the protections added in 2011, the percentage of property owners who pay their outstanding charges prior to the tax lien sale, but after they are noticed for sale, is consistent with the percentages prior to the reform of the lien sale law in 2011. The following chart illustrates the number of properties with tax liens eligible to be sold 90 days before the tax lien sale and the number of properties with liens actually sold in the tax lien sale:

Lien Sale year	Properties Noticed for Sale	Properties in Lien Sale
2012	22,111	4,093
2013	27,930	5,420
2014	25,556	5,347

As demonstrated above, approximately 20% of properties with tax liens eligible to be sold 90 days before the tax lien sale have tax liens that are ultimately sold in the tax lien sale.

Since the Lien Sale law was reformed in 2011, the Administration has informed the Council that that:

- Property owners who enter into payment agreements have a 38% default rate;
- 15 properties have been foreclosed upon after being sold in the lien sale;
- 21 HDFC properties had liens sold; and
- Not-for-profit organizations with tax liens that failed to renew their property exemptions received notifications of inclusion the lien sale.

Since the reforms to the lien sale in 2011, the Council has met with property owners, the Administration, and community-based organizations about possible reasons why property owners continue to accrue tax liens in an amount that are eligible to be sold in the tax sale, despite the many protections added by the Council.

²⁴ Information provided by the Office of Management and Budget. On file with the Committee.

The Council learned that:

- Many property owners were affected by SuperStorm Sandy chose to address the immediate need of property repairs, rather than spend their funds paying charges owed to the City, such as property taxes, ad water charges;
- Many not-for-profit organizations failed to renew their not-for-profit exemptions despite a 2011 administrative change by the Department of Finance that now required all not for profit organizations to annually renew their property tax exemption eligibility status;
- Many property owners who defaulted on payment agreements were unaware that extenuating circumstances existed to prevent the imposition of the 5-year ban on future payment agreements upon payment;
- Many property owners were unaware that payment agreements issued by DOF required no money down and could be paid for a term of 10 years; and
- The bill provided by lien sale servicers to property owners after the lien is sold is difficult to understand, and does not clearly identify charges owed.

G. JANUARY 8, 2015 HEARING TO CONSIDER INT. 612

Today's hearing will consider Int. 612, a Local Law to amend the administrative code of the city of New York, in relation to the sale of tax liens. Representatives from the Department of Finance, the Department of Housing Preservation and Development, the Department of Environmental Protection, the Office of Management and Budget, and members of the public are expected to testify.

To ensure that the tax lien sale is fair, efficient, and effective, Council Members Ferreras, Menchaca, Torres, and Williams introduced Int. 612 which would do the following:

Section 1: Extends DOF Commissioner authority to sell tax liens

- 2 year extender. Authority ends on December 31, 2016.

Section 2: Properties tagged red and yellow by the Department of Buildings to indicate severity of damage due to SuperSorm Sandy, and Build It Back properties excluded from the lien sale. If erroneously sold, lien will be substituted for a equal value lien, or will be refunded the value of the lien.

Section 3: HDFC information

Clean up existing provisions in ad code relating to HDFCs. Removed language specifying HDFC sold in lien shall be deemed defective, rather simply prohibits their inclusion and provides that if erroneously sold, lien will be substituted for an equal value lien, or will be refunded the value of the lien.

Section 4: Not for profit information:

- Not for profits who received a 420-a, b, 446, and 452 property tax exemption in one of the last 3 fiscal years shall receive the following information in the 90, 60, 30, and 10 day notice
 - Initial and renewal application process
 - Actions property owner can take when noticed for the lien sale, including adjustment or cancellation of back taxes.
 - Information can be translated upon request(Russian, Chinese, Korean, or Spanish)

Section 5: Quarterly Lien Servicer Property Status report and outreach sessions

Subdivision I: Property Status Report by Lien Sale servicer

Report to Council detailing status of tax lien, including: Foreclosure information; if property entered into a payment agreement; and if lien was deemed defective, and reasons for such determination.

For each property referenced in the report, the following property details must be provided:

- Property tax class
- Description of tax liens
- Amount of lien
- Cost of advertisements and notices
- Amount of surcharge, penalties and interest

Subdivision J: DOF, HPD, and DEP Outreach Sessions

- Allows CMs to request outreach sessions with HPD, DEP, and DOF. Session will be provided at agency discretion
- Scope of session
 - What property owners can do if lien is sold
 - Type of debt that can be sold
 - Informing attendees of their right to enter into such agreement with no money down for a term of 10 years
 - Credits and property and property tax exemption available
- Subdivision J: Report on Outreach Session provided no later than 90 days after lien sale, detailing:

- Number of outreach sessions performed
- Number of payment agreements begun
- Number of property tax applications begun
- Number of attendees in each session.

The report and the results of the outreach session shall be disaggregated by Council district.

Section 6: Extenuating circumstances language on payment agreement form no later than March 1, 2015

- Language on form will inform property owner (or other eligible person) that if he or she defaults on a payment agreement, then such owner will be prevented from entering into another payment agreement for 5 years UNLESS extenuating circumstances exist (payment plan will have definition of payment agreement). Extenuating circumstances include: Loss of income of signatory or contributing household member due to:
 - death,
 - away from home more than 6 months
 - Hospital more than 6 months; or
 - Court order

Section 7: Temporary Task Force.

- Members:
 - 10 Members: 5 Admin (Mayor, OMB, DOF, HPD, and DEP); 5 Council
 - Appointments no later than 60 days after enactment of local law
 - Task Force Tenure: Until report is issued or DOF authority is reauthorized
 - Administrative staff: Admin
 - The Chair of the Task Force will be selected by the Members.
- Goal:
 - Ensure that the tax lien sale process is fair, efficient and effective.
- Scope:
 - Consideration of administrative and legislative changes that would:
 - Minimize non-payment of charges that are subject to the lien sale, including increasing awareness of, and participation in, tax benefit programs;
 - Maximize the collection of debt owed to the City;
 - Redefine the type of debt that is eligible for the lien sale; and
 - Any other matter that the task force deems relevant to the fair, efficient, and effective implementation of the tax lien sale process.
- Meeting Frequency
 - At least quarterly, beginning September 1, 2015
- Task Force Report to Mayor and Council
 - Due: September 1, 2016

- Content:
 - Recommendations on administrative and legislative changes to improve fairness, transparency, efficiency, and effectiveness of the lien sale process, and finding and factors to supports such recommendation;
 - Evaluation of payment agreements
 - Impact of the tax lien sale process on affordable housing; and
 - Any other information deemed necessary by the task force.

Section 8: Effective Date

- Immediately, retroactive to January 1, 2015

It is important to note that while not in the legislation, the Administration has committed to provide DEP customers with the option of monthly billing before July 1, 2015.

Glossary

	Definition
AEP Alternative Enforcement Program	HPD Program for multi-family buildings with excessive and hazardous building violations. The top 200 multi-family buildings with the most excessive and hazardous building violations are designated for the AEP program. Once designated, each building has 4 months to rectify all conditions, or incur additional fees.
Circuit Breaker	This New York State Personal Income Tax program provides a refundable tax credit Circuit Breaker program to homeowners and renters with incomes below \$18,000 per year and have home assessed values less than \$80,000. The amount of the tax credit available will depend on the amount of property taxes paid by homeowners, or the size of adjusted monthly rent payments paid by renters. A renter's "adjusted monthly rent" must be \$450 or less.
DHE Disabled Homeowner Exemption	This Department of Finance program provides a partial property tax exemption for disabled individuals who own and primarily reside in a one, two, or three family homes, condominiums, or cooperative apartments and have a household income of \$37,399 per year or less.
ERP Emergency Repair Program	HPD performs emergency repairs in privately owned residential buildings in order to address immediately hazardous Class C violations (e.g. inadequate fire exits, rodents, lead-based paint, and lack of heat, hot water, electricity, or gas) that are not corrected by the property owner with 24 hours. Once the City makes the repairs, the City bills the property owner.
Extenuating Circumstances	A property owner who defaults (delinquent for 6 months) on a payment plan is barred from entering future payment plan for 5 years, unless default is cured before lien sale, or extenuating circumstances exist, defined as: <ul style="list-style-type: none"> (1) the death of the signatory to the agreement (2) a loss of income to the signatory, or to a contributing household member due to: <ul style="list-style-type: none"> • unemployment for at least 6 months; or • involuntary absence from the property for at least 6 months for 1) treatment

	of an illness; 2) for military service, or 3) pursuant to a court order.
HDFC Housing Development Fund Company	An HDFC is a corporation formed under the State Private housing law to build low-income housing. Each HDFC has a regulatory agreement with HPD, and is individually chartered by HPD or the State Department of Housing and Community Renewal (DHCR).
SCHE Senior Citizen Homeowner Exemption	This Department of Finance program provides a partial property tax exemption for senior citizens who own and primarily reside in a one, two, or three family homes, condominiums, or cooperative apartments and have a household income of \$37,399 per year or less.
Tax Lien	Legal claim against real property for unpaid property taxes, water, sewer or other property charges, as well as the interest due on these taxes and charges
Tax Lien Sale	When outstanding amounts have been delinquent for a legally specified period of time, and the City has mailed notice to the property owner, the City of New York is allowed to sell the lien(s) to an authorized third party who has the authority to collect the money that was previously owed to the City, plus other fees and interest.
Veteran's Exemption	This Department of Finance program provides a property tax exemption to veterans, the spouse or unremarried widow/widower of a veteran, or Gold Star parent (the parent of a child who died in the line of duty). Veterans are former members of the United States armed forces or the Merchant Marines (during World War II) or recipients of expeditionary medals. **Class 1 property of active duty personnel are also exempt from the lien sale.

Int. No. 612

By Council Member Ferreras, Menchaca, Torres, and Williams

A Local Law to amend the administrative code of the city of New York, in relation to the sale of tax liens.

Be it enacted by the Council as follows:

Section 1. The opening paragraph of subdivision b of section 11-319 of the administrative code of the city of New York, as amended by local law number 15 for the year 2011, is amended to read as follows:

The commissioner of finance, on behalf of the city, may sell tax liens, either individually, in combinations, or in the aggregate, pursuant to the procedures provided herein. The commissioner of finance shall establish the terms and conditions of a sale of a tax lien or tax liens. [Enactment of the local law that added this sentence shall be deemed to constitute authorization by the council for the commissioner of finance to conduct a sale or sales of tax liens through and including December thirty-first, two thousand fourteen. Subsequent to December thirty-first, two thousand fourteen, the city shall not have the authority to sell tax liens.] Enactment of the local law that added this sentence shall be deemed to constitute authorization by the council for the commissioner of finance to conduct a sale or sales of tax liens through and including December thirty-first, two thousand sixteen. Subsequent to December thirty-first, two thousand sixteen, the city shall not have the authority to sell tax liens.

§ 2. Subdivision b of section 11-319 of the administrative code of the city of New York is amended by adding a new paragraph 12 to read as follows:

12. On or after January first, two thousand fifteen and before January first, two thousand seventeen, no tax lien shall be sold pursuant to this chapter on the following properties: (i) properties enrolled in the city's Build It Back Program; and (ii) properties defined as "eligible real property" pursuant to subdivision three of section four hundred sixty-seven-g of the real property

tax law. If, notwithstanding the foregoing sentence, any such tax lien is sold in error pursuant to this chapter during such time period on properties described in subparagraph (i) or (ii) of this paragraph, then the provisions of paragraph eight of this subdivision shall apply to such sale, including the authority of the commissioner of finance to substitute for such tax lien another tax lien that has a value equivalent to the value of such tax lien or to refund the value of such lien.

§ 3. Subparagraph (i) of paragraph 10 of subdivision b of section 11-319 of the administrative code of the city of New York, as amended by local law number 15 for the year 2011, is amended to read as follows:

(i) [Before January first, two thousand twelve, any tax lien or tax liens that are sold pursuant to this chapter on property owned by a company organized pursuant to article XI of the state private housing finance law shall be deemed defective.] On and after January first, two thousand twelve, [any] no tax lien [or tax liens that are] shall be sold pursuant to this chapter on any class two residential property owned by a company organized pursuant to article XI of the state private housing finance law that is a residential condominium or residential cooperative[, shall be deemed defective]. If, notwithstanding the foregoing sentence, any such tax lien is sold in error pursuant to this chapter on and after January first, two thousand twelve on such property, then the provisions of paragraph eight of this subdivision shall apply to such sale, including the authority of the commissioner of finance to substitute for such tax lien another tax lien that has a value equivalent to the value of such tax lien or to refund the value of such tax lien. For the purposes of this paragraph, property owned by such company shall be limited to property owned for the purpose, as set forth in section five hundred seventy-one of the state private housing finance law, of providing housing for families and persons of low income.

§ 4. Subdivision b section 11-320 of the administrative code of the city of New York is amended by adding a new paragraph 4 to read as follows:

4. Such notice shall also include, with respect to a property that was in receipt of a real property tax exemption pursuant to section four hundred twenty-a, four hundred twenty-b, four hundred forty-six, or four hundred sixty-two of the real property tax law in one or more of the three fiscal years preceding the date of the notice provided not less than ninety days prior to the date of sale, information relating to the initial application and renewal process for such property tax exemptions, and other actions available to the owner of such property in the event such property is noticed for sale pursuant to this subdivision, including, if available, an adjustment or cancellation of back taxes. Upon the written request of the owner of such property, a Chinese, Korean, Russian or Spanish translation of such notice shall be provided to such owner.

§ 5. Section 11-320 of the administrative code of the city of New York is amended by adding new subdivisions i and j to read as follows:

i. On a quarterly basis, a purchaser of tax liens shall provide to the council a property status report. For each property, such report shall include: (1) information about such property, including property tax class; property type; description of the tax lien or tax liens that have been sold to such purchaser on such property pursuant to this chapter, including the amount of the tax lien or tax liens, the costs of any advertisements and notices given pursuant to this chapter; the amount of the surcharge pursuant to section 11-332 of this chapter; and the amount of interest and penalties thereon; and (2) the status of the tax lien or tax liens, including foreclosure information, if applicable; whether the property owner entered into an installment agreement; whether the property owner is current on such installment agreement; and whether the tax lien or tax liens on such property have been deemed defective, and, if so, the reason any such lien was deemed defective. Each property listed in the report shall be identified by block and lot.

j. At the request of a council member, the commissioner of finance, in consultation with the commissioner of housing preservation and development and the commissioner of

environmental protection, may conduct outreach sessions in the district of such council member.

The scope of such outreach sessions shall include, but need not be limited to, (i) actions property owners can take if a lien is sold on such property; (ii) the type of debt that can be sold in a tax lien sale; (iii) installment agreement information, including informing attendees in such outreach sessions of their option to enter into an installment agreement for exclusion from the tax lien sale with no down payment, and their option to enter such agreement for a term not more than ten years; (iv) credits and property tax exemptions that may exclude a property from a tax lien sale; and (v) any other credit or residential real property tax exemption information, which, in the discretion of the commissioner, should be included in such outreach sessions. No later than ninety days after the tax lien sale, the commissioner of finance shall submit to the council a report on the number of outreach sessions performed in each council district during the ninety-day period preceding the tax lien sale. Such report shall include: (i) the number of installment agreements begun by property owners or, as defined in subdivision b of section 11-322 of this chapter, other eligible persons, acting on behalf of property owners at each outreach session; (ii) the number of property tax exemption applications begun at each outreach session; and (iii) the total number of attendees at each outreach session. Such report and the results of each outreach session shall be disaggregated by council district.

§ 6. Subdivision b of section 11-322 of the administrative code of the city of

New York is amended by adding a new paragraph 5 to read as follows:

5. All installment agreements executed on or after March first, two thousand fifteen shall include a conspicuous statement that if payments required from a property owner pursuant to such an agreement are not made for a period of six months, such property owner shall be in default of such agreement, and the tax lien or tax liens on the subject property may be sold, provided, however, that such default may be cured upon such property owner's bringing all installment

payments and all current charges that are outstanding at the time of the default to a current status, which shall include, but not be limited to, any outstanding interest and fees, prior to the date of sale. Such statement shall also include a notification that if such default is not cured prior to the date of sale, such property owner shall not be eligible to enter into an installment agreement for the subject property for five years, unless there is a finding of extenuating circumstances in accordance with rules promulgated by the department that entered into the installment agreement with the property owner. Such statement shall include the definition of extenuating circumstances.

§ 7. Chapter 3 of title 11 of the administrative code of the city of New York is amended by adding a new section 11-356 to read as follows:

§ 11-356 Temporary taskforce. a. The mayor and council shall establish a temporary task force to review and evaluate the provisions of this chapter, any actions taken pursuant to the provisions of this chapter, and such other matters as the task force deems appropriate, to ensure that the tax lien sale process is fair, efficient and effective.

b. The task force shall consist of ten members, as follows: the commissioner of environmental protection or his or her designee, the director of management and budget or his or her designee, the commissioner of housing preservation and development or his or her designee, the commissioner of finance or his or her designee, one member appointed by the mayor and five council members appointed by the speaker of the council. Any council member appointed by the speaker of the council may name a designee, provided that such designee shall be an employee of the council. Members shall serve without compensation. The members of the task force shall be appointed within sixty days of the effective date of the local law that added this section. The chairperson shall be elected from among the members. Any vacancy shall be filled in the same manner as the original appointment for the remainder of the unexpired term. The director of management and budget, and the commissioners of finance, environmental protection, and housing

preservation and development may provide staff to assist the task force in the execution of its duties pursuant to this section. Members of the task force shall serve until the opening paragraph of subdivision b of section 11-319 of this chapter authorizes the commissioner of finance to conduct a sale or sales of tax liens after December thirty-first, two thousand sixteen, or the task force submits a report to the mayor and the council pursuant to subdivision d of this section, whichever is sooner, after which time such temporary task force shall cease to exist.

c. No later than September first, two thousand fifteen, the task force shall hold its initial meeting and thereafter shall meet at least quarterly to review and evaluate the provisions of this chapter, any actions taken pursuant to the provisions of this chapter, and such other matters as the task force deems appropriate, to ensure that the tax lien sale process is fair, efficient and effective. The task force shall consider: (i) actions, including recommendations for administrative or legislative changes, that could minimize the nonpayment of taxes, assessments, sewer rents, sewer surcharges, water rents and any other charges that are made a lien subject to the provisions of this chapter, including, but not limited to, increasing awareness of and participation in tax benefit programs, (ii) actions, including recommendations for administrative or legislative changes, that could maximize the collection of any debt owed to the city, whether or not any such debt is currently a “tax lien” as defined in section 11-301 of this chapter, and (iii) any other matter that the task force deems relevant to the fair, efficient and effective implementation of the tax lien sale process.

d. No later than September first, two thousand sixteen, the task force shall submit a report to the mayor and the speaker of the council. Such report shall include, but need not be limited to: (i) recommendations for administrative or legislative changes that may improve the fairness, efficiency and effectiveness of the tax lien sale process; (ii) any findings or facts that support such recommendations, (iii) evaluation of installment agreements and consideration of

prospective changes to the terms of installment agreements; (iv) the impact of the tax lien sale process on affordable housing; and (v) any additional information deemed relevant by the task force.

§ 8. This local law shall take effect immediately and shall be retroactive to and deemed to have been in full force and effect as of January 1, 2015.

TE 12-30-14 5:00pm
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