



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 approximately 5 million square feet of unbuilt residential floor area is included in the tax lien sale, where much of it disappears into the private market. If the City instead re-directed these sites to affordable housing development, they could yield 50,000 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.

- (2) **Automatically exempt liens on property owned by not-for-profit organizations eligible 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 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.