

# TAKEROOT JUSTICE

## Testimony to the NYC City Council

### Committee on Finance

#### Oversight – Recommendations of the Advisory Commission on Property Tax Reform.

November 15, 2022

Good afternoon. My name is Paula Segal. I am speaking today as Senior Staff Attorney in the Equitable Neighborhoods practice of TakeRoot Justice. TakeRoot works with grassroots groups, neighborhood organizations and community coalitions to help make sure that people of color, immigrants, and other low-income residents who have built our city are not pushed out in the name of “progress.” To that end, TakeRoot is a founding member of and counsel to the Abolish the Tax Lien Sale Coalition.

There is no question that our property tax system is very inequitable and in need of major reform. Much of this reform can only be accomplished on the state level. On the other hand, our tax collection and enforcement system is handled on the city level.

At today’s hearing, Chair Brannan asked if there was anything the City can do as the state-level reform process rolls out. The response offered then was focused on lobbying the state, but I am here to bring the Council’s attention to tools the City has at its disposal: clear notice to property owners about options for relief from taxation and for payment plans, language access, and a reform to the process the City uses when property owners nonetheless fall behind on their payments.

First, thanks to the efforts of this council, the Administrative Code now requires that the Notice of Property Value sent by the Department of Finance to all owners at the start of each year include a description of each available exemption program. The Notices sent last year did not include any descriptions; buried on the bottom of page 3, in small print, the Notice contained only an incomplete listing of exemptions, each summarized by a single word (“seniors, veterans, clergy members, people with disabilities, *and others*”) and directions to call 311 for more information. As was stated earlier, “call 311” is possibly a curse, and certainly no description.

The Code also states that the owner can request and receive a translation of their notice into Chinese, Korean, Russian or Spanish. While that list of languages is incomplete in light of the City Language Access Plan, the Notices sent last year did not seem to include any indication that translations would be available.



Finally, the code requires very detailed information about the risks of not paying on time and options for avoiding enforcement. No property owner we have interacted with over the last year received this required information. We hope the Council will use its oversight powers ahead of the next round of Notices going out to make sure that the Department complies with the law.

Turning to enforcement and echoing what has already been offered in brief by fellow members of our coalition: for 25 years, the City had been embracing former Mayor Rudy Giuliani's illogical and cruel vision for debt collection by selling its right to collect on delinquent accounts to an investor-backed trust at a discount and giving up any power to determine the outcome for properties connected to those accounts. This Council allowed the City's authority to continue that practice to sunset last year and we look forward to working together to create a more equitable system going forward, as my colleagues described earlier in today's hearing.

By the end of the year, we will be releasing a detailed framework for a fairer debt collection system and look forward to working with this Committee and the Council on translating it into law, which is within this Council's power.

The tax lien sale is the definition of bad policy that prioritizes private investors over homeowners, tenants and the future of our City. We ask that this committee ensure that the tax lien stays in our past. We urge you not to support ANY legislation that involves selling property tax debt to an unaccountable third-party entity.

We also ask that this committee work with us to institute a new system of enforcement with the following goals: 1) re-municipalizing public debt collection, 2) preventing displacement of homeowners and tenants, 3) promoting long term affordability through community land trusts and partnerships with trusted non-profit developers, and 4) creating a pathway for productive use for vacant lots and unoccupied buildings.

A new system must prioritize robust outreach, counseling and relief. It should offer homeowners who do not want to sell their homes the opportunity to remain owners and inhabitants of their homes through an exchange of municipal debt forgiveness and their transfer of land to a Community Land Trust; this way, owners retain ownership of an asset equal to its value minus the debt owed on it, rather than losing most or all equity to foreclosure.

Such a program would add to tax revenues as it would result in more manageable payments for owners formerly making no payments at all, and support to ensure they stay current.

The program must have a preservation component for multifamily rental buildings, which frequently have cycled through the lien sale year after year. The City can offer to forgive debt in exchange for voluntary regulation that would stabilize housing for current tenants and increase the supply of affordable units available to families seeking shelter. Such a program would of course also reduce the tax rolls due to the exempt value of newly created affordable housing opportunities that would replace property that is currently taxed but for which owners are delinquent in making payments; such a transformation of delinquent unregulated housing into protected affordable housing for current residents and New Yorkers in need would be cost-effective when compared with the many associated costs of displacement.

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The program must also have an affordable housing creation component for vacant lots and unoccupied buildings, both of which regularly accrue debt which the City can use as leverage to get properties back into productive use, an opportunity that has been lost at each lien sale. In 2019, the City sold liens on 322 buildable vacant parcels with current residential zoning; in 2021, it sold liens on 392 such parcels. These are sites for the potential construction of thousands of housing units that the City must not continue to slip through its grasp. Vacant lots zoned for commercial and manufacturing with debt sold to investors are likewise lost opportunities for the creation of affordable business, community and cultural space and must similarly be directed towards productive use when owners are delinquent in making payments to the City.