TAKEROOT JUSTICE

Testimony Before the New York City Council Committee on Finance
Testimony on Intro 782-2024, Intro 783-2024 and Resolution 327

January 14, 2025

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."

We are a member of the Abolish the Tax Lien Sale Coalition. The Coalition advocates for the full abolition of the NYC lien sale for all properties in the City, and its replacement with systems that (1) preserve homeowners' and tenants' ability to stay in their homes, (2) promote racial equity, and (3) support community land trusts.

We are glad that the Council is hearing Council Member Sandy Nurse's two commonsense bills to improve the Department of Finance's processes.

Intro 782 which requires DOF to send, with every quarterly bill that is already being generated, detailed information regarding exemptions that they qualify for as well as information about how to sign up for the ACRIS alert system, which notifies them by email when changes are made to property documents. This change is urgently needed and could still be implemented in advance of the May lien sale: the bill language already calls for immediate effect; the Council could vote at the next Stated meeting, the fourth (last) quarter bills for the current fiscal year are due to go out approximately 30 days after the scheduled stated. If the Council moves fast, it will give constituents time this year to engage with both exemptions and the alert system.

The ACRIS system, inclusive of the alerts it enables, is a powerful and under-utilized tool that the Department of Finance should be using more strategically to aid property owners in being aware of risks to their ownership status. **Intro 783** would require DOF to record tax liens in ACRIS once that debt exceeds five thousand dollars past due for a period of more than three years, even when that lien continues to belong to the City and is not sold. This can alert property owners to accruing debt about which they may not be aware and help them avoid the lien sale, speculation, and foreclosure. It will aid owners themselves, not speculators, who already have all the tools they need to find distressed property owners, including the lists of likely- distressed property owners that are published in connection with the lien sale which provide a city-wide road-map directing them to which individuals might be a good target, see https://www.rosenbergestis.com/blog/2024/12/how-savvy-investors-can-spot-distressed-properties-before-nycs-2025-tax-lien-sale/ (attached). Recording by property in ACRIS would give owners new tools, thus leveling the playing field. The threshold for recording ($5,000 past due three years) is drawn from the most conservative of the current lien sale eligibility criteria, see https://www.nyc.gov/site/finance/property/property-lien-sales.page.

Another key piece of making municipal debt fairer is to allow tax exemptions for our seniors, veterans and other low-income homeowners to be applied to past years after they are granted. The City cannot do this on its own, but Council Member Nurse's **Resolution 327,** calling on Albany to allow retroactive exemptions, is a step in the right direction. We look forward to its passage and a speedy campaign for Albany to change state law, led by the City.

We are also supportive of all efforts to reduce the opportunities for deed fraud. We thank Council Members Williams and Hudson for identifying ways the City can use its powers to do that.

Feel free to contact me with any questions:

Paula Z. Segal, Esq.
psegal@takerootjustice.org
(646) 459-3067

Equitable Neighborhoods Practice
TakeRoot Justice
123 William Street, 16th Floor
New York NY 10038

How Savvy Investors Can Spot Distressed Properties Before NYC's 2025 Tax Lien Sale

by Benjamin Williams | Dec 20, 2024 | NYC Property Tax

As New York City prepares for its May 2025 tax lien sale, property owners with overdue taxes face growing financial pressure. For investors interested in distressed real estate, this scenario creates a strategic opportunity: the lead-up to the lien sale provides early indicators—via publicly posted lists—of which properties might be ripe for negotiation and acquisition.

Key Dates and the Lien Sale Timeline

The City's next lien sale is scheduled for May 2025. Several lists showing properties at risk will be released beforehand, with the first "90-day list" expected around February 2025. Subsequent notices at 60, 30, and 10 days before the sale will follow. By tracking these lists, investors can pinpoint properties under intense financial strain.

Rising Interest Rates on Late Taxes Compound the Pressure

Late property tax payments don't just linger—they become more expensive over time. The New York City Department of Finance (DOF) charges interest on late payments, compounded daily. This means the longer a property owner waits, the more they owe in interest, creating a significant incentive for distressed owners to cut a deal sooner rather than later.

For Fiscal Year (FY) 2025 (7/1/24–6/30/25), the late payment interest rate for properties with an assessed value over $450,000 is **16%**, up from 15% in FY'24, 14% in FY'23, 13% in FY'22, and 18% in FY'21 and many prior years. With daily compounding, owners with large, valuable properties see their debts snowball at a daunting pace—heightening their motivation to resolve the situation before the lien sale.

Data Signals Growing Delinquencies Among High-Value Properties

Recent DOF data (as of May 3, 2024) indicate increasing delinquency rates among high-value parcels. For semi-annual filers with assessed values over $450,000 in FY'24, the total delinquent amount reached **$499,980,526** for parcels delinquent by $5 or more—an **18.51% increase from FY'23**. The number of such parcels was 5,481, highlighting that even larger asset classes are feeling the squeeze.

For investors, this surge in delinquency among higher-assessed properties suggests there may be more owners of commercial, multifamily, and upscale residential properties who are grappling with rapidly increasing interest charges. With interest rates higher than ever and compounding daily, these owners face a steep financial climb, making them prime candidates for distressed sales.

How Investors Can Leverage the Lien Lists

1. **Early Property Identification:**
   By reviewing the 90-day list in February 2025—and subsequent lists at 60, 30, and 10 days—you gain an inside track on properties in trouble. This intel helps you focus on prospects most likely to entertain offers as interest accumulates and deadlines loom.
2. **Direct Owner Outreach:**
   Armed with knowledge of their rising interest bills and impending lien sale, you can approach owners before May 2025. They may be more willing to accept an offer below market value if it means avoiding runaway interest costs and the eventual transfer of their lien.
3. **Secondary Market and Post-Sale Opportunities:**
   While you can't buy individual liens directly from the City, building relationships with the trust or servicer that eventually acquires the liens could open doors. Monitoring properties on the brink of foreclosure and leveraging secondary market options can pay off after the sale.

4. **Foreclosure Monitoring:**
Should a lien progress toward foreclosure, your early research gives you a competitive edge. You can act quickly, whether by negotiating with the lienholder or offering a solution to the owner before they lose the property.

Timing, Data, and Relationships Matter

With interest compounding daily at 16% for high-value properties in FY'25, distressed owners have a stronger incentive than ever to find relief. By tapping into the 90-, 60-, 30-, and 10-day lists and understanding the upward trend in delinquencies, investors can time their outreach and negotiations to secure favorable terms.

A Strategic Real Estate Ally: Rosenberg & Estis, P.C.

Navigating these opportunities successfully requires not just knowing when and where to act, but also having expert legal support. For 50 years, Rosenberg & Estis, P.C. has guided clients through New York's complex real estate transactions—from acquisitions and sales to financing, development rights transfers, leasing, and beyond. Our integrated approach, which combines transactional skill with a deep understanding of litigation and administrative frameworks, ensures that clients receive unmatched service.

We represent a wide range of clients—buyers, sellers, landlords, borrowers, lenders, developers, building owners, condo and co-op boards, and joint venturers —in transactions such as:

- Acquisitions & Sales
- Development
- Joint Ventures
- Leasing
- Financing
- Ground Leases
- Development Rights Transfers
- Opportunity Zones