

The overall goal of the Tax Lien Sale Task Force is to review and evaluate the City's collection of delinquent real property taxes, assessments, sewer rents, sewer surcharges, water rents, or any other charges that are made a lien to ensure it is fair, efficient, and effective. The following ideas have been presented and discussed by the Task Force but no consensus among the members has been reached. A final set of recommendations will be released by November 1, 2021.

Furthermore, the Task Force believes the enforcement of municipal charges should balance the need for timely collection to pay for important City services, with efforts to minimize the negative impact those collection efforts can have on certain communities.

With no consensus yet, the Task Force is presenting to the public the following ideas that could improve how it approaches municipal debt enforcement, including:

1. Incorporating the preservation and development of affordable housing and community spaces as a commensurate goal in the enforcement process.
2. Minimizing the use of fees used in the enforcement process, particularly those levied on low- and moderate-income homeowner properties.
3. Improving outreach by investing in CBOs to leverage their skills in helping to reach struggling property owners, connecting them with available resources, and helping them navigate programs.
4. Protecting property owners from predatory actors by better targeting outreach information and creating legal barriers to harassment.
5. Simplifying the process for property owners to address their property delinquency, including streamlining the payment plan application process and rolling enrollment in homeowner tax breaks and other programs to minimize water, sewer, and repair charges.

With no consensus yet, the Task Force is presenting the following ideas to shift the focus on debt collection without ignoring the negative impacts on homeowner equity and community preservation, including:

1. Not selling liens on tax class 1 homes, coops, or condos.
2. Transferring uncollectable liens to a "Lien Bank"
 - a. Rather than selling liens to a Trust, the City should utilize existing State authorization to set up a Land Bank whose goal would be to resolve outstanding tax liens that DOF and DEP are unable to resolve (therefore a "Lien Bank").
 - b. The Lien Bank would have the same goal as the current lien trusts in collecting outstanding debt, but also have a commensurate goal of preserving homeowner equity, and where possible leveraging the debt to develop and/or preserve affordable housing & community spaces. Though it is formally a "Land Bank" it not primarily be about acquiring land.
 - c. The Lien Bank would be governed by appointees from relevant agencies and elected officials to ensure that its operations and decisions on how to balance its two goals reflect the larger policy goals of the City and to ensure that it works in conjunction with other City efforts. The Bank might need a small staff to execute its ongoing mandate but could also leverage the staff and resources of existing

City agencies where appropriate (e.g., a housing preservation deal could be made with the assistance of HPD staff)

- d. The Lien Bank could utilize the same tools as the current trust as needed, such as engaging outside servicing agents and securitized bonding as needed, but as a more sophisticated entity than the current trust, would have the ability to provide more flexibility to delinquent property owners. This flexibility could be in the form of longer payment agreements, short delays on foreclosure proceedings where appropriate, debt freezes in return for timely payment of current charges, negotiated preservation deals, etc. With a more flexible mandate than the current trust the Lien bank could work with City agencies and CBOs to provide support to property owners, especially low-income homeowners.
 - e. The Lien Bank would be seeded by initial City capital or by securitizing a small segment out delinquent liens, but then would be self-funding through the resolution of outstanding liens. Any excess revenue generated would be remitted back to the City.
3. Developing vacant land by producing a report of vacant land properties whose tax liens were sold in the previous 90 days, make the list available to the public, including non-profit partners. The report should indicate whether the properties are considered to be developable due to such factors as size, zoning, environmental conditions, etc.
 4. Creating a preservation land trust as an LLC subsidiary to the 1998-2 Trust. Vacant land that can be developed will be sold directly to the vacant land trust rather than the securitized trust. Also, foreclosed lien sale properties that did not sell at a first auction will be transferred to the preservation land trust. Qualified bidders, who intend on building regulated affordable housing can be selected to bid at the second auction. In addition, there will need to be a method of disposing of other non-developable sites.
 - a. When a property reaches foreclosure, any qualified entity can bid. If no entity bids more than the redemptive value of the liens and the Trust wins at the initial auction, the current process could be modified such that the Trust would hold a second auction and limit the qualified list of bidders to qualified preservation purchasers. This list of qualified preservation purchasers or criteria for qualifying bidders could be based on or informed by HPD's RFQ for qualified preservation buyers list.
 5. Eliminating or minimizing the securitization of liens:
 - a. Securitization may add additional parties, cost, and legal and time constraints to the process, removing the flexibility of the Trust or other third parties in addressing delinquent liens.
 6. Prioritizing community land trusts in a new tax collection and property disposition system
 - a. Offer to resolve outstanding municipal charges in exchange for the deed to the land on which any improvements they own are situated. If the owner accepts, the debt will be resolved, and the deed can be transferred to a community land trust (CLT). The owner will keep their improvements and enter into a ground lease with the CLT. The City may also enter into a regulatory agreement with the owner of the improvements and / or the CLT. Both the ground lease and

regulatory agreement will be oriented towards keeping improvements on CLT land affordable to present and future residents.

- b. For those owners who do not accept the City's offer to resolve the debt by transferring the land to a CLT and do not pay their charges once the City initiates foreclosure proceedings, the City can make the same offer of accepting the deed to the land as a resolution to the foreclosure.
- c. For those that don't pay their bills and don't accept the City's offer, foreclosure will result in a judgment. For owner occupied properties (tax class 1), the City can transfer the property to a CLT, which will work out an arrangement through which residents who want to stay in place can stay, and potentially even preserve some equity. For rental housing (tax class 2), commercial properties (tax class 4) and vacant lots, the City can transfer the property to a CLT that will partner with a not-for-profit developer to stabilize the housing, create and protect community, commercial and manufacturing and spaces, build new housing on vacant land, and determine the long-term ownership structure in partnership with residents.

With no consensus yet, the Task Force is presenting the following ideas to improve access to savings tax breaks, including:

1. Rolling enrollment in housing tax breaks
 - a. the City should advocate for State law changes that would allow DOF to enroll homeowners in property tax breaks on a rolling basis. Owners who miss the deadlines for enrollment would have their tax break start the following fiscal quarter, rather than following fiscal year. In cases of recertification, arrears should be retroactively reduced.
 - b. Conduct a 3-year lookback for exemptions. For newly enrolled seniors, allow a 3-year lookback to check for previous exemptions for those who have outstanding balances. Also, conduct a look-back when homeowners re-apply for exemptions.

With no consensus yet, the Task Force is presenting the following ideas to ban predatory tactics against distressed property owners, including:

1. Supporting a cease-and-desist law at the State level to prohibit solicitation for owners who register with NY Secretary of State (there is first amendment issue with doing prohibition based on zones/council districts along).
2. Eliminating publication of list of at-risk properties in newspapers.
3. Having DOF post a warning notice with the eligible sale lists posted online to warn property owners of solicitations by bad actors. Also include similar warning in "goodbye" letter at time of sale.
4. Providing a preliminary list of lien sale eligible properties to bona fide CBOs at least two weeks in advance to begin outreach before 90-day notice to beat bad actors.

With no consensus yet, the Task Force is presenting the following ideas to improve payment plan accessibility, including:

1. Extenuating circumstances payment plan
 - a. Allow homeowners a minimum of 3 payments plans before being required to show any additional information regarding loss of household income
2. Replacing income cap with index based on household size.
 - a. Replace a single income cap for the various exemptions/PTAID with an index of caps based on household size.
3. Improving ease-of-use for payment plans
 - a. Ensure that homeowners have clear information on payment plans, and improve accessibility in terms of technology and language
4. Allowing heirs to enter into payment plans. Allow heirs that can establish that they live in a property - via a simple affidavit or form - to enter into payment plans for past due municipal charges.

With no consensus yet, the Task Force is presenting the following ideas to improve pre-sale noticing, communications, and outreach, including:

1. Enhance HPD Homeowner Help Desk and Owner Resource Center for lien specific issues to build on the pilot East NY Helpdesk and recently created Helpdesk to provide assistance to homeowners Citywide. Administered by a CBO selected by the City, a Citywide Homeowner Helpdesk would conduct outreach to homeowners and provide intensive on-the-ground outreach (through a variety of methodologies) to homeowners of 1–4-unit homes, and help those homeowners navigate and access available resources and services.
 - a. The Owner Resource Center for MF properties builds on the successful pilot Landlord Ambassador Program, which targeted a subset of lien sale eligible properties for enrollment and support.
2. Adding advertisements to October 31 delinquency notice.
3. Having HPD do outreach to CLTs interested in the upcoming RFQ for affordable housing developers associated with the Third-Party Transfer program and the advocates were very interested
4. Having the City engage community-based organizations (CBOs) on an on-going basis to help connect to non-responsive delinquent property owners. This funding should be coordinated with City’s homeowner help desk & landlord ambassador programs.
5. Having the City heighten & targeted outreach at delinquent homeowners at an early stage of delinquency and not wait until the property reaches current lien sale eligibility thresholds.
 - a. Include information about housing counseling and legal services groups in all notices sent to property owners with delinquencies. The 90-, 30-, and 10-day notices sent to homeowners should include information about resources available.
 - b. Ensure all notices sent to homeowners have information available in multiple languages, especially those most commonly spoken by New Yorkers
 - c. Share at-risk pool with community organizations and outreach groups in advance (or instead of) publishing the list publicly

6. Tying the authority to sell or transfer liens to any third party to the proportionate level of outreach funding appropriated by the City. This would ensure that adequate efforts were made by the City to engage property owners prior to any lien sale.

With no consensus yet, the Task Force is presenting the following ideas to simplify the process for property owners to keep track of & paying their City charges, including:

1. Having DEP & DOF adopt long-term agency goals of the creation one-stop City shopping for property owners to keep track of and pay their City charges related actions (e.g., payment plans). This goal should be to be one-stop from the perspective of the customer but could also be consolidation on the back end.
2. Having DOF will set up an online payment agreement request form for customers wanting either a property tax and/or water and sewer charge payment plan. The online form will provide information about both DOF and DEP payment plans, collect the customer's information, process the information for DOF payment plans, and pass along the collected information to DEP to resolve the final DEP payment plans. Customers are still required to ensure payment agreements are finalized. DEP and DOF will coordinate on the back end to make sure DOF has the most up to date information about DEP's payment plans.
3. Establishing an Owner Resource Center/Landlord Ambassador Program
 - a. The Helpdesk and Owner Resource Center build off pilot programs, which would help owners navigate myriad programs, provide appropriate technical assistance, and help owners accept appropriate financial assistance (i.e.. payment plans, HomeFix application, exemption programs, PTAID, other others as appropriate)
 - b. The Owner Resource Center would build off the Landlord Ambassador Program to provide and expand direct technical and financial support through CBOs to owners of multi-family/class 2 properties citywide, including rentals and HDFC cooperatives. Expanding on and modifying the City's current successful Landlord Ambassador Program, a time-limited program available at a limited scale to small rental buildings, the ORC would serve rental owners and HDFC cooperatives citywide.
4. Better promoting the NYS Homeowner Assistance Fund
 - a. The New York State Homeowner Assistance Fund was established under section 3206 of the American Rescue Plan Act of 2021 and provides \$539,458,518 in financial assistance to New York State, through the United States Department of the Treasury. The aim of HAF is to mitigate financial hardships associated with the coronavirus pandemic by preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship.

With no consensus yet, the Task Force is presenting the following ideas to reduce fees as much as possible, including:

1. Ending all surcharges levied on property owners associated with the transfer and servicing of liens. Only the normal interest rate charges should be applied.
2. Reducing 5 percent lien sale surcharge for residential property owners.
 - a. Have two-stage surcharge – 3% for TC 1 residential properties (and TC 2 condo/coops) with assessments less than \$50,000, 5% for the rest.
3. Having the trust pay for advertising fee for low-income residential property owners.
 - a. Eliminating newspaper publication requirement would reduce this fee by half (mentioned above)
4. Reducing or removing the surcharge for subsequent liens for low-income residential property owners

Finally, the Task Force is recommending making consistency changes to Local Law 24, including:

1. Lien sale eligibility thresholds. LL24 raised the property tax threshold for Class 1 properties, and residential coops and condos from \$1,000 to \$5,000 for the initial tax lien sale but did not do so for the subsequent sale. Similarly, the threshold for water and sewer charges for 2-unit and 3-unit Class 1 properties was increased from \$1,000 to \$3,000 for the initial sale only. The new thresholds should be applied for determining which properties are included in the subsequent sale at-risk pool.
2. Interest rate reference point. The administrative code requires us to use interest rates that were in effect on January 1 for the interest rate charged on sold liens. As a result, liens sold in 2021 will be subject to the 5% and 18% rates that were in effect on 1/1/21. The law should be amended so that if liens are sold after July 1, they will be charged the interest rate that was in effect on July 1.
3. PT AID income threshold. LL24 increased the income threshold for initial applications to \$86,400 but did not do so for renewals. The threshold for renewals should also be increased to \$86,400 to prevent owners from being removed from the program when their income has not changed.