Unfair Deals: The Truth About NYC Tax Lien Sales

Coalition *for* Affordable Homes
New Yorkers United for Affordable Homeownership

CENTER for NYC NEIGHBORHOODS

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Contents

Introduction 04

01

Tax Lien Sales Disproportionately Impact Communities of Color, Seniors, and Lower-Income Homeowners 06

More tax liens are sold in majority-minority neighborhoods 09
Senior homeowners are also disproportionately affected 09
Lower-income homeowners remain in the fray 09

02

A Troubled History: New York City's Hindered Efforts to Assist Vulnerable Homeowners 10

Despite Local Law 147, the City has created additional and unnecessary barriers for heirs 11
Property tax exemptions for vulnerable populations are stymied by renewal requirement 11
Payment plans are virtually inaccessible and unnecessarily burdensome 12
Publication of the tax lien list fuels predatory speculation 12

03

The City Has Benefited from Tax Lien Securitization at the Expense of Its Most Vulnerable Homeowners 14

What is Tax Lien Securitization 15
Strategic construction of the tax lien pool 15
Deputizing trusts for property tax collection 16
The bottom line of tax lien securitization 16

04

Recommendations: No Property Tax Lien Sale for Small Homes and Improved Services for Vulnerable Homeowners 18

No lien sale for tax class 1 small homes, coops, and condos 19
Reform property taxes and exemptions 19
Allow heirs to enter into payment plans 20
Improve payment plan accessibility 20
Improve pre-sale noticing, communications, and outreach to homeowners 20
Impose post-sale limitations on the NYCTL Trusts 21

Conclusion 22

Introduction

What is a Tax Lien?

A tax lien is a legal claim placed on a property by the City due to unpaid property taxes, water and sewer charges, and other property-related charges.

If the debt is unresolved, the City will sell the lien to an authorized buyer. When the City sells a lien, it's not selling the property. The lien holder buys the right to collect the money owed to the City. Liens are never offered for sale to the general public.

If the taxes or charges are not paid or resolved, the new lienholder can begin a foreclosure proceeding in court.

The New York City Tax Lien Sale was first instituted in 1996 and is an artifact today of an inefficient and coercive property tax collection strategy.

The City's lien sale was originally packaged as part of a financial workaround for another problem: an excess of abandoned, distressed properties, and the glut of those properties on the City's balance sheet.[1] While the lien sale provides a quick way for the City to recoup property tax revenue,[2] particularly in times of need, the harm it brings upon communities cannot be overstated.

In our 2016 report, we detailed the destructive effects of the lien sale on historically marginalized homeowners. We demonstrated how a property's debt balloons with the inclusion of legal fees, surcharges, and noticing fees the moment it is sold to one of the City's tax lien trusts, exacting even greater costs from property owners. Further, we outlined how the lien sale has disproportionately impacted the City's minority, immigrant, and low-income neighborhoods, and fueled the speculative activity that further increases housing costs and displaces residents.

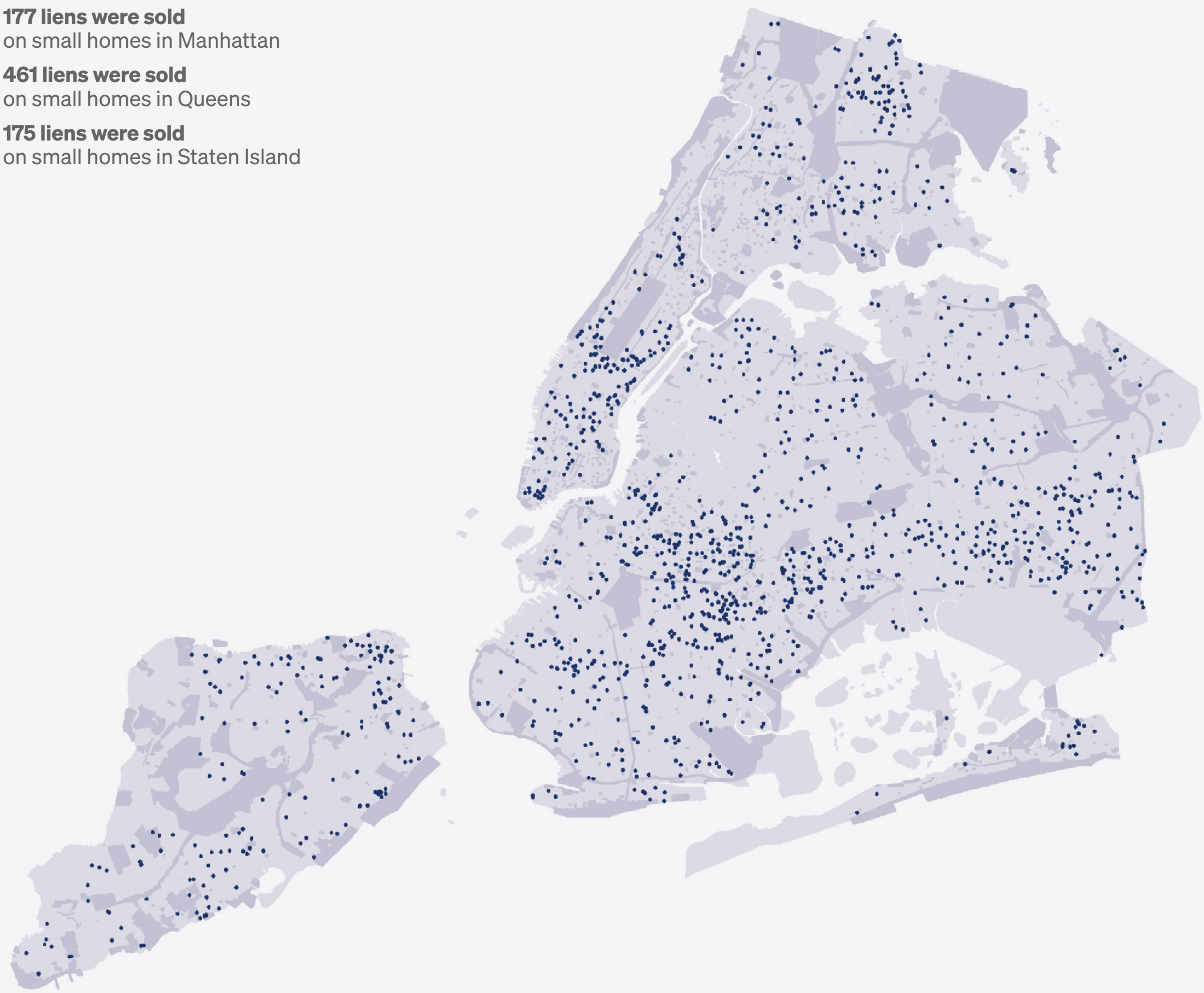
From its implementation to the present, homeowner and tenant advocates have called for reforms and changes to the lien sale that would minimize its deleterious effects. In 2020, advocates were briefly successful in ensuring that there would be no lien sale while New Yorkers were struggling through the widespread economic and social devastation of the COVID-19 pandemic. Nevertheless, City officials passed a one-year reauthorization of the lien sale in 2021. New York City has not held a lien sale since that time, and one was not reauthorized in 2023.

In our updated analysis below, we find that minority, senior, and lower-income homeowners were disproportionately impacted by the lien sale in 2021. We briefly demonstrate how efforts to mitigate that harm have been ineffectual. Next, we outline the City's tax lien securitization process to illustrate a crucial point: by prioritizing its bottom line over homeowner stability, the City abrogates its duty to taxpayers. Finally, we address ways the City could better serve vulnerable homeowners to ensure small family homes remain out of the sale. The improvements offered below would merely be a stop-gap measure, however, and ultimately insufficient to fully reverse the negative impact of the lien sale on low- and middle-income homeowners, affordable housing, and community diversity. Therefore, it is our strong recommendation that the City discontinue tax lien sales on small homes (1-4 units, condos, and coops).

The Impact of 2021's Tax Lien Sale on Small Homes

In 2021's tax lien sale, there were 1,499 liens sold on 1-4 family homes, co-ops, and condos, hereafter (referred to as small homes for this publication).

- **154 liens were sold** on small homes in the Bronx
- **532 liens were sold** on small homes in Brooklyn
- **177 liens were sold** on small homes in Manhattan
- **461 liens were sold** on small homes in Queens
- **175 liens were sold** on small homes in Staten Island



LEGEND

- Tax lien sold on a small home in 2021

Source: Department of Finance provided list of small homes included in the 2021 sale

01

Tax Lien Sales Disproportionately Impact Communities of Color, Seniors, and Lower-Income Homeowners

Non-white and/or Hispanic Majority (50% or more of homeowners)

Scale

Total number of qualifying census tracts	**1,158**
Total number of qualifying census tracts where a lien was sold on a small home in 2021	**487**
Total number of qualifying census affected	**42%**

Impact

of liens sold in qualifying tracts
858
% of small home liens sold in 2021
57%

1.48 times more likely to have a tax lien sold

Senior Majority (40% or more of homeowners)

Scale

Total number of qualifying census tracts	**347**
Total number of qualifying census tracts where a lien was sold on a small home in 2021	**169**
Total number of qualifying census affected	**49%**

Impact

of liens sold in qualifying tracts
292
% of small home liens sold in 2021
19%

1.54 times more likely to have a tax lien sold

Lower Income Majority (50% or more of homeowners)

Scale

Total number of qualifying census tracts	**543**
Total number of qualifying census tracts where a lien was sold on a small home in 2021	**255**
Total number of qualifying census affected	**47%**

Impact

of liens sold in qualifying tracts
394
% of small home liens sold in 2021
26%

1.59 times more likely to have a tax lien sold

Source: American Community Survey 2016-2020 5-yr. Estimates; Department of Finance provided list of small homes included in the 2021 sale.

2021 Lien Sale:

Census Tracts With the Most Liens Sold on Small Homes in 2021, by Borough

TOTAL CENSUS TRACTS AFFECTED

850

TOTAL NUMBER OF LIENS SOLD ON SMALL HOMES

1,499

Bronx, Census Tract 358
6 Liens Sold on Small Homes

Queens, Census Tract 538
77 Liens Sold on Small Homes

Brooklyn, Census Tract 13
20 Liens Sold on Small Homes

Staten Island, Census Tract 112.1
11 Liens Sold on Small Homes

Manhattan, Census Tract 7
9 Liens Sold on Small Homes

Source: Department of Finance provided list of small homes included in the 2021 sale.

57% were located in a census tract where at least fifty percent of the homeowners were non-white and/or Hispanic.

19% were found to be located in a census tract where at least forty percent of the homeowners were aged 65 years or older.

26% were located in a census tract where at least fifty percent of the homeowners had household incomes of less than $75,000 in 2020.

More tax liens are sold in majority-minority neighborhoods

Historically, communities of color have been most impacted by the City's tax lien sale, with a striking overlap to the New York City communities hardest hit by predatory lending and foreclosure during the Great Recession.[3] In our 2016 analysis, we found that the City was *six times more likely* to sell a lien in a majority Black neighborhood than in a majority white neighborhood. The City was also *twice as likely* to sell a lien in a majority Hispanic neighborhood than in a majority white neighborhood. The last tax lien sale, held in 2021, was no exception: an analysis of liens sold revealed that

57% were located in a census tract where at least fifty percent of the homeowners were non-white and/or Hispanic.

Senior homeowners are also disproportionately affected

Senior homeowners also tend to be overrepresented in tax lien sales. This is because seniors are more likely to have paid off their mortgages, meaning their property taxes are no longer paid through a mortgage escrow account, and there is no mortgage company to cover missed property tax payments in the event they occur. Therefore, harm done by tax lien sales not only tends to be concentrated in communities of color, but on senior homeowners of color, many of whom are on fixed incomes. In our analysis of the tax liens sold in 2021,

19% were found to be located in a census tract where at least forty percent of the homeowners were aged 65 years or older.

Lower-income homeowners remain in the fray

In 2018 and 2019, advocates from across New York City worked to draft legislation to create the Property Tax and Interest Deferral (PT-AID) program, which permits homeowners making less than $86,400 annually to enter into income-based plans to pay both property-tax arrears and current year charges. The PT-AID program also permits senior citizens to completely defer payment of their property taxes, and requires annual recertification of eligibility. However, low-income homeowners report that Department of Finance personnel do not educate them about the availability of PT-AID and, instead, push them into standard repayment options. This may explain why, despite the PT-AID program's broad eligibility parameters, enrollment remains low with just a few hundred homeowners taking advantage of the program as of the last quarter of 2022.[4] Further, our analysis of tax liens sold in 2021 found that

26% were located in a census tract where at least fifty percent of the homeowners had household incomes of less than $75,000 in 2020.

Many of these homeowners should have been assessed for the PT-AID program and exempt from unaffordable tax payments and, therefore, the tax lien sale.

02

A Troubled History: New York City's Hindered Efforts to Assist Vulnerable Homeowners

Although not currently authorized, New York City has relied on the tax lien sale as the primary driver for its property tax collection. Over the years, in an effort to combat the harmful effects of the lien sale, non-profit legal service providers, community organizations, and other stakeholders have participated in numerous collaborative efforts with the City's Department of Finance, the New York City Council, and the Public Advocate, in various combinations, to design and implement policies that promote equity and fairness in the tax lien sale. Unfortunately, these efforts have been hampered by uneven implementation.

Despite Local Law 147, the City has created additional and unnecessary barriers for heirs

In 2013, advocates offered detailed testimony on the problem of liens sold on the inherited homes of heirs of deceased homeowners. At the time, heirs were not recognized by the Department of Finance as homeowners despite having received an interest in the property by operation of New York State's laws of intestate succession. This prompted the Council to pass Local Law 147, which created the category of an "other eligible person" who could also enter into an installment agreement by demonstrating they had an interest in the property.

The current implementation of Local Law 147, however, has rendered its benefits elusive. Despite the legislative history of the law, which contemplates demonstration of heirship through death and birth certificates, the Department of Finance requires heirs to produce documentation of a filing in Surrogate's Court — a proceeding that entails high filing fees and the posting of an expensive bond — or to produce an order from some other court that confirms their heirship before being allowed to enter into an installment agreement to pay delinquent taxes. Those legal proceedings are unnecessarily burdensome and result in greater risk of home loss and potentially displacement of heir owners.

Property tax exemptions for vulnerable populations are stymied by renewal requirement

Prior to 2015, disabled and senior homeowners enjoyed permanent exemptions, which reduced their property taxes and made their homes ineligible for the tax lien sale. Currently, to maintain those exemptions, these homeowners must file renewal applications either annually (if disabled), or every other year (in the case of seniors). For these populations, a change in eligibility due to a change in disability status or increased income is unlikely as these homeowners have typically suffered permanent disabilities or are on fixed incomes.

Notably, when disabled and senior homeowners miss the reapplication period for their exemptions, they lose those exemptions and property tax debt can begin to accumulate. And while a new application might remove their homes from the lien sale list, it does not expunge the inflated property tax due for the year(s) where the exemption was not in place. The renewal application is an unnecessary hurdle and burden: if a homeowner was qualified in a prior year and forgot to renew, they should not have to pay double their taxes for the year(s) they did not renew. It is an unfair and harmful economic policy imposed on a subset of homeowners who are least able to weather additional living costs.

Ms. F's Homeowner Experience

Ms. F is a 90 year old Hispanic homeowner. She is legally blind and requires the assistance of her daughter when out of her home. After the 2015 amendments to the tax exemption program, Ms. F's SCHE exemption for senior homeowners expired and her home was included in the tax lien sale list in 2016. Ms. F went to the Department of Finance Service Center, with the assistance of her daughter, to determine why her tax bills had increased and why she was on the lien sale list.

Despite Ms. F's obvious eligibility due to her age and disability, Department of Finance staff only offered an expensive repayment plan, and none of the exemptions to which she was–and continues to be–entitled were applied. When Ms. F predictably fell behind on the payment plan, and without the protection of an exemption, Ms. F's lien was sold and she soon received foreclosure papers. Only with the intervention of a legal service provider was Ms. F's lien sale defected and her property tax exemptions restored.

Mr. C's Homeowner Experience

Mr. C suffers from a mental disability, has significant difficulties interacting with others, and receives Social Security Disability Insurance. When Mr. C's lien was sold to the trust, he did not have an exemption in place–despite his eligibility for one–and only discovered his tax liens when he was put into foreclosure. As a result, Mr. C needed the intervention of an advocate to make an exorbitant payment to the trust that included interest and high fees.

Payment plans are virtually inaccessible and unnecessarily burdensome

Homeowners who attempt to settle their accounts with the Department of Finance and have their liens removed from the tax lien sale, when authorized, must either demonstrate eligibility for an exemption, pay a lump sum to reduce the lien amount below either the dollar threshold (currently $5,000) or the time threshold (currently 3 years for the first lien — thereafter liens may be sold each year), or enter into an installment agreement. Further, homeowners have only one opportunity in a 5-year period to start and successfully complete a payment plan. After a single default, a homeowner must demonstrate "extenuating circumstances" (which are limited to the death or unemployment of the person who signed the agreement, or of a contributing household member) to enter another payment plan. This strict compliance criteria places the bar too high and puts the burden upon a category of homeowners who, despite owning their homes without encumbrances, often struggle to keep up with the rising costs of living (due to cost of healthcare, inflation, the way the City chooses to value homes and calculate tax burdens, and so on). Unfortunately, homeowners are often denied payment plans without understanding why, leaving an unaffordable lump-sum payment as their only option to remove their liens from the sale.

Publication of the tax lien list fuels predatory speculation

Under the New York City Administrative Code, the Department of Finance is required to provide notice of the lien sale before it can take place. Notices are sent to homeowners 90, 60, 30, and 10 days prior to the date of the sale, and a list of eligible properties compiled and published on the Department of Finance's website with open access. This public notice of distressed homeowners is a road map for scammers and speculators who now know that the homeowner is financially vulnerable and might be easily pressured to sell.[5] These lists also create targets for partition scammers, who prey on owners who have inherited fractional interests homes, known as "heirs property."[6]

Image Credit: Adobe Stock Photo

03

The City Has Benefited from Tax Lien Securitization at the Expense of Its Most Vulnerable Homeowners

The way New York City securitizes its tax liens squeezes vulnerable homeowners in particular. This partially stems from the strategic way the City constructs the lien pool, whenever a sale takes place, from properties with low lien-to-value ratios. Further, by transferring the ownership of its liens to a trust via a bulk sale, the bonds used to purchase the liens are more appealing to investors, but that comes at the expense of oversight and accountability to ordinary New Yorkers. This system was originally put into place to circumvent the City's debt limit concerns and is no longer relevant today, yet still impact New York City's most vulnerable homeowners.

What is Tax Lien Securitization

Since the 1970s, thanks to the masterminding of a former bond trader, cash flows from debts—e.g., credit cards, mortgages, and even tax liens—have been pooled together, repackaged into bonds, and then sold on the secondary bond market.[7] The pooling of assets (like debt cash flows) for repackaging into interest-bearing securities, most commonly bonds, is called "securitization."[8] Once pooled, the overall profit to be made from borrower, or debtor, payments increases substantially while the risk remains the same.[9] Today banks, companies, and governments regularly securitize their cash flows from debts and sell them as securitized bonds to investors. Bar none, the allure of securitization is the ability to quickly shore up a revenue shortfall by offloading that debt flow onto investors in exchange for their capital.[10]

Lien-to-Value (LTV) Ratios

For tax lien sale purposes, an LTV ratio is the total tax debt owed compared to the property's appraised value, which, in this case, is determined by the City's Department of Finance.

Strategic construction of the tax lien pool

In years when a tax lien sale is authorized to take place, a pool of eligible liens is created from properties with low lien-to-value (LTV) ratios, typically fifteen percent and lower.[11] Low LTV ratios are critical for tax lien certificate redemption as property owners are much less likely to make payments on arrears and, ultimately, to redeem a tax lien certificate on a property when the LTV ratio is high.[12] Thus, the fifteen percent LTV ratio ensnares homeowners at a key moment in their homeownership, when their long-term investment and the amount they stand to lose in equity–relative to a small tax lien debt[13]–necessitate they settle their arrears or face foreclosure. And while homeowners can attempt to recover the surplus (i.e., the funds that remain after the lien, interest, surcharge, and all costs have been paid) after the foreclosure sale of the home, the recovery process in New York is a complicated one.[14]

Deputizing trusts for property tax collection

The tax lien securitization process in New York City hinges on the use of trusts. In the years it operates a lien sale, the City transfers ownership of its tax liens to the New York City Tax Lien (NYCTL) trusts via a bulk sale. However, this transfer occurs in name only as the City is the trusts' sole beneficiary.[15] Once transferred off the City's balance sheet, the NYCTL trusts contract with a servicer (Tower Capital Management in recent years) to collect on the liens.[16]

Meanwhile, the NYCTL trusts use funds raised from the sale of securitized bonds to purchase the City's liens.[17] These bonds are priced on the debt of the current year's lien pool—albeit a steeply discounted valuation of that debt.[18] In the past, the discount has been about 72 cents on the dollar for all lien values.[19] The devaluation of the tax lien debt partially ensures that bondholders' investments are fully realized by debtor payments on the liens.[20] The surplus payments on the debt also defray the labor cost of the liens' servicer.

Bear in mind, because the NYCTL trusts are legally separate from the City and do not appear on its balance sheets, the City's debt obligations are not considered in the determination of their bonds' credit worthiness.[21] This can bolster the bonds' grade and enhance their appeal to investors on the secondary market. The NYCTL trusts' legal status also means they are not governed by the City's strict procurement and accounting protocols, and they are able to operate with much less transparency than is typically allowed under most City contracts. As a result, the NYCTL trusts are not required to issue a statement of public purpose, nor are they governed by a board made up partially of elected officials[22] to facilitate their oversight and accountability to New Yorkers.

The bottom line of tax lien securitization

As described above, it is clear the City's balance sheet benefits from tax lien securitization while its homeowners–the most vulnerable ones in particular–shoulder the burden of that strategic financial maneuvering. Tax lien securitization fails the individuals whose liens are sold, and it perpetuates the housing instability, inequality, and the racial wealth gap that has long plagued the City's housing market. More specifically, its practice results in the transfer of significant wealth from communities of color and vulnerable New Yorkers to private investors. Instead, the City's government should be working to minimize neighborhood instability and instituting policies that foster homeownership, especially for groups who have been historically disadvantaged and are of a protected class.

Homeowner Majority Category

CENSUS TRACT	NUMBER OF HOMEOWNERS	NUMBER OF LIENS SOLD ON SMALL HOMES	NON-WHITE AND/OR HISPANIC MAJORITY (50% or more of homeowners)	SENIOR MAJORITY (40% or more of homeowners)	LOWER INCOME MAJORITY (50% or more of homeowners)
The Bronx, Census Tract 358	1,861	6	Yes	Yes	Yes
Brooklyn, Census Tract 13	819	20	No	Yes	No
Manhattan, Census Tract 7	753	9	No	No	No
Queens, Census Tract 538	373	77	Yes	No	No
Staten Island, Census Tract 112.01	1,388	11	No	No	No
TOTAL NUMBER OF LIENS SOLD IN ABOVE CENSUS TRACTS		**123**			

This table features the census tracts from each borough that had the most tax liens sold on small homes in the 2021 sale. It underscores how vulnerabilities compound such that certain homeowner populations and neighborhoods are more susceptible to the loss of accumulated equity, and the transfer of wealth from the community, when small homes are included in the City's lien sale.

Source: American Community Survey 2016-2020 5-yr. Estimates; Department of Finance provided list of small homes included in the 2021 sale.

04

Recommendations: No Property Tax Lien Sale for Small Homes and Improved Services for Vulnerable Homeowners

The easiest and most impactful way the City can address the longstanding inequities that tax lien securitization and the lien sale exacerbate is to exclude small homes in the lien sale. If the lien sale is to be reauthorized, however, and tax class 1 properties included, we urge the Department of Finance to implement the following strategies to minimize harm to vulnerable homeowners and neighborhoods. This includes: improving payment plan accessibility, pre-sale noticing, delinquency communications, and outreach to homeowners, as well as imposing post-sale limitations on the NYCTL trusts.

Regardless of the lien sale, the Department of Finance must make changes to its property tax and exemption system as it is in great need of reform [23], and changes must be made to heirship rules so that heirs are allowed to enter into payment plans. It is imperative that City agencies are active participants and supporters of these efforts. City agencies must also have enough staff on hand– who are adequately trained in property tax exemptions and payment plans– and are provided enough funding from the City's budget for their efforts to be successful. If community groups are to be relied upon for direct, homeowner outreach and engagement, adequate and consistent funding for such activities is absolutely critical.

No lien sale for tax class 1 small homes, coops, and condos

Tax Class 1 properties are residential properties with one to three units. These properties made up 42% of the 2021 lien sale, yet only amounted to 21% of all lien value. As demonstrated above, these properties also represent many of the City's most vulnerable homeowners.

As such, the City should no longer sell liens on tax class 1 properties, coops, or condos. If it were to reauthorize a lien sale for these homes, New York City would stand alone as it is the only remaining city in the country that securitizes those types of tax liens. [24] In fact, other major metropolitan cities on the East Coast–Philadelphia [25] and Washington, DC [26]–have implemented measures to protect owner-occupant homeowners from their lien sales; meanwhile, Baltimore removed its owner-occupants from its lien sale during the pandemic and is working to remove them permanently. [27]

Image Credit: Adobe Stock Photo

Improve payment plan accessibility

The payment plans for homeowners hoping to avoid the tax lien sale are difficult to access and have resulted in low enrollment rates, as outlined above. One way to remedy low enrollment is to address the income threshold structures that govern the plans. Currently the flat-income cutoff for payment plans does not account for household size. Replacing the income cap with an index based on household size could dramatically increase enrollment and ease the financial strain of larger households trying to address their arrears. We also urge the City to modify its policies around payment plans, which now require homeowners to demonstrate very restrictive, extenuating circumstances if they have defaulted on a payment plan in the past 5 years, or pay a 20% down payment on their arrears. We recommend homeowners be allowed a minimum of 3 payment plans before being required to show an extenuating circumstance.

Improve pre-sale noticing, communications, and outreach to homeowners

Targeted mailings to property owners who owe property taxes are an effective way to keep homeowners informed and small homes out of the lien sale. Mailings should include information about the tax lien sale, be printed in the most common languages spoken by New Yorkers, as well as detail how property owners can apply for exemptions, enroll in PT-AID, enter into payment plans, and avoid having their liens sold through other available means. Personalized mailings should also be sent to property owners who have a history of unpaid taxes, or who have outstanding liens on their properties. Ideally these notices would be mailed in envelopes of a different color so they are more visible for property owners, who are often bombarded with solicitations when they are in financial distress. Especially if paired with door-to-door canvassing by local non profits, homeowners would be ensured of having been contacted and made aware of the consequences of unpaid property taxes.

Informational workshops in community centers and libraries are another effective way to inform property owners about the tax lien sale. These workshops should be led by community organizations who can explain the tax lien process and provide guidance on how property owners can address the liens. The workshops should also be scheduled at convenient times and be advertised in local newspapers, and on social media, to ensure they are well-attended. Additionally, non-profit partners could and should be tapped to spread the word about the workshops.

Meanwhile, Department of Finance should discontinue publishing the 90-60-30- and 10-day at-risk lists publicly for speculative investors and scammers who are looking to prey on vulnerable homeowners. Instead, Department of Finance should dispatch the lists to community organizations and outreach groups, which can assist homeowners in applying for the property tax exemptions they are eligible for, and enrolling them into payment plans to remedy their arrears.

Impose post-sale limitations on the NYCTL Trusts

To reiterate, once their tax lien is sold to the NYCTL trust, significant legal fees, surcharges, and noticing fees are automatically added to the homeowner's debt.[28] However, the payment plans offered by the trust are much less favorable than the terms of the installment agreements that are available under the City rules. Since the NYCTL trusts are merely special purpose vehicles of the City, there should be more flexibility in place for homeowners who want to remedy their arrears. At the very least, homeowners should be able to negotiate repayment agreements that reflect their ability to pay. This requirement is imposed on servicers of student loan debt and should be no different for entities servicing municipal debt. Heirs should also be able to enter into installment agreements by providing an affidavit with supporting documentation to the trusts. Finally, there should be a cap on the aforementioned servicing and legal fees, and fees should be waived entirely for liens with lower amounts.

Reform property taxes and exemptions

The Department of Finance could make tremendous progress toward property tax equity by making it easier for homeowners, especially seniors and individuals living with a disability, to access and renew their exemptions. The Department of Finance should also train its staff to automatically enroll senior and lower-income homeowners into PT-AID and tax exemptions. Homeowners who are eligible for exemptions should also be allowed to access property-tax exemptions on a rolling basis, meaning they could start to receive their exemptions at any point during the taxable year after an application has been approved. Moreover, exemptions should be applied retroactively, where prior eligibility can be established. Detailed information for homeowners about all tax exemptions should be included with the annual Notice of Property Value (NOPV) that reads in part, "You may be eligible for a property tax exemption. Apply by March 15." Coupled with three-year lookbacks for newly enrolled homeowners, outstanding balances could easily and systematically be remedied.

Allow heirs to enter into payment plans

The current process for heirs to establish a relationship to a deceased homeowner of record is untenable, particularly for clients without representation. Surrogate's Court filing fees are prohibitive ($1,250 for a home valued over $499K), and the court largely disallows waivers for indigent filers, even though the standards are clearly set out in the law. Therefore, heirs should be permitted to provide alternate forms of proof of ownership, including fractional ownership, to enter into payment plans without a Surrogate's Court filing to protect their property rights and to ease their ability to settle a property's tax arrears.

Conclusion

Since its introduction in 1996, the tax lien sale has loomed over the City's most vulnerable homeowners.

Research has demonstrated that the sale exacerbates the City's predatory housing market in egregious ways;[29] and advocates, despite committing significant resources and time to try to make a deeply flawed system more fair, have had little success in mitigating that reality. After the City paused the lien sale in 2020, due to COVID-19, advocates falsely assumed that officials had finally recognized the downsides of the sale, and were committed to ending it. We were proven wrong in 2021, when the sale was reauthorized.

With the threat of the lien sale's reauthorization, we sought guidance from legal service providers who have counseled their clients through its devastating impact, from homeowners who have experienced displacement as a result, and from agitated public officials who have stated on the record that this is a predatory and unsustainable system that needs to end. In light of their insights, we chose to focus our reporting on the mechanism that underpins the entire system, tax lien securitization, to debunk the assertion made by supporters of securitization and the lien sale that the City would go bankrupt without this system.

In truth, the City uses the lien sale as a way to balance its budget, and does so on the backs of its most vulnerable homeowners — constituencies that the City Council and Mayor claim to care deeply about. New York City should not prey on those who can least endure financial upheavals to help balance its budget. The goal of policy should be to both collect property taxes and keep people in their homes, which are not mutually exclusive goals.

As of this writing, the New York City Tax Lien Sale has not been reauthorized. If it is to be reauthorized, we have highlighted reforms that can be implemented in the short term to make property tax collection and the sale more equitable. Most of these recommendations would immediately improve the current system, and should be implemented regardless of whether the sale is reauthorized.

What does it mean for a local government to abdicate its duty to its constituents by offloading a task as significant as tax collection onto private investors? How can New Yorkers believe their best interests are prioritized when anonymous investors can make record profits at the expense of their housing security? If public officials are serious about protecting New York City's homeowners, permanently discontinuing the lien sale on small homes should be their top priority.

Endnotes

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5 The Coalition for Affordable Homes, *Compounding Debt Race, Affordability, and NYC's Tax Lien Sale,* 2016: pp. 8-9 and Footnote 13. Available at https://s28299.pcdn.co/wp-content/uploads/2014/02/CAH-tax-lien-sale-report-final.pdf.

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About the Coalition for Affordable Homes

The Coalition for Affordable Homes is made up of housing non-profits, community associations, local development corporations, and legal services agencies that have seen the struggles communities face firsthand.

Neighborhoods from Jamaica, Queens, to Wakefield in the Bronx — long-time bastions of middle- and working-class homeowners — have faced continued challenges over the past decade: predatory lending, speculators and investors, and skyrocketing housing costs that displace families from neighborhoods they've called home for decades.

Coalition Members

Asian Americans for Equality
Association for Neighborhood and Housing Development, Inc.
Bedford Stuyvesant Restoration Corporation
Bronx Legal Services
Brooklyn Legal Services Corp. A
Center for NYC Neighborhoods
Chhaya Community Development Corporation
City Bar Justice Center
Cypress Hills Local Development Corporation
Fifth Avenue Committee
Grow Brooklyn
Habitat for Humanity NYC
IMPACCT Brooklyn
Legal Aid Society
Mobilization for Justice
Mutual Housing Association of New York, Inc.
Neighborhood Housing Services of Bedford Stuyvesant, Inc.
Neighborhood Housing Services of East Flatbush, Inc.
Neighborhood Housing Services of Jamaica, Inc.
Neighborhood Housing Services of New York City, Inc.
Neighborhood Housing Services of Northern Queens, Inc.
Neighborhood Housing Services of Staten Island, Inc.
Neighborhood Restore/Restored Homes HDFC
Neighbors Helping Neighbors
New Economy Project
New York Legal Assistance Group
New York Mortgage Coalition
Queens Legal Services
Rebuilding Together NYC
University Neighborhood Housing Program

Coalition *for* Affordable Homes
New Yorkers United for Affordable Homeownership

CENTER for NYC NEIGHBORHOODS