

#ProtectOurPlaces Bill Intro 0245 of 2018

Main Sponsor: Council Member Antonio Reynoso

Additional Sponsors: Antonio Reynoso, Helen K. Rosenthal, Ben Kallos, Rafael L. Espinal, Jr., Deborah L. Rose, Diana Ayala, Chaim M. Deutsch, Bill Perkins, Carlina Rivera, Mark Treyger, Donovan J. Richards, Ritchie J. Torres¹

Scope of #ProtectOurPlaces Bill Intro 0245-2018:

This bill will exempt from the tax lien sale properties owned by...

1. Not-for-profit organizations that received a property tax exemption under Sections 420-a, 420-b, 446 and 462 of the New York State Real Property Tax Law *in at least one of the prior five fiscal years*;
2. Not-for-profit organizations that have submitted a *pending initial or renewal application* for a not-for-profit property tax exemption with DOF; and
3. Not-for-profits that have filed an *appeal of denial* of exemption with the Tax Commission.
4. #ProtectOurPlaces Bill Intro 0245-2018 will also require DOF to notify all Class 4 (non-residential) property owners of available exemptions, how to remove a property from the sale, what might happen if a lien is sold – including the threat of foreclosure – and that improperly paid taxes are refunded.

Why Is this Bill Needed?

Not-for-profits and charity organizations keep communities together by providing resources, gathering spaces, and direct services. State law recognizes the benefits these organizations provide by requiring Cities to offer tax exemptions to nonprofit, charitable, and certain other social service organizations. Up until 2012, these organizations were exempt from the date they applied until they gave otherwise notice. In 2012, non-profit entities became required to renew their tax exempt status on a yearly basis.

This rule change has led to a whole host of issues for non-profits: many are simply unaware that they have to reapply; others accrue debt while their applications are pending; and some have their applications erroneously denied. All of these are grounds for inclusion in the City's tax lien sale, leading to foreclosure or bankruptcy for many small non-profits.

By passing #ProtectOurPlaces Bill Intro 0245-2018 we can protect not-for-profit and charity organizations from being permanently shut down over debt they should have never been charged.

Impacts on Exempt Charity Organizations that Fall Behind on the City's Annual Renewal Requirements

In the words of Rev. Richard Harley, Pastor of **Haven Ministries in Far Rockaway** (Queens, Ulrich):²

“Haven Ministries paid off our million-dollar mortgage in August — in just 15 years. That's quite an accomplishment for a community church in Far Rockaway, Queens. As we were making our final mortgage payments, I got a call out the blue, from Paula Segal, an attorney with the Community Development Project at the Urban Justice Center, a nonprofit I'd never heard of, to warn me that our church had a tax lien and was about to get another one. We were in danger of losing our building because of property tax debt... But our church is a nonprofit charity, which is exempt from property taxes. So, I was very surprised to hear that there was an unpaid tax bill that had turned into a lien and been sold the year before, and another lien sale was about to happen. I was even more surprised to learn that the buyer of the first lien already had filed suit against Haven Ministries to foreclose on our building. How could that be? We never received notice of legal proceedings...”

¹ Current Council Members who signed on to the 2017 version of this bill but have not yet signed on in 2018 (as of 4/27, 2pm): Carlos Menchaca, Stephen T. Levin, Corey D. Johnson, Robert E. Cornegy, Jr., I. Daneek Miller, Mark Levine and Jumaane D. Williams.

² See CityViews: The Council Must Protect Nonprofits from Lien Sales by Richard Hartley | November 9, 2017, <https://citylimits.org/2017/11/09/cityviews-the-council-must-protect-nonprofits-from-lien-sales/>. Haven Ministries also had water debt. The City DEP requires bi-annual filings of water and sewer exemption renewals and does not coordinate with DOF.

Here's the scope of this occurrence citywide:

	Liens Sold on Charity Properties in 2011	Liens Sold on Charity Properties in 2012	Liens Sold on Charity Properties in 2013	Liens Sold on Charity Properties in 2014	Liens Sold on Charity Properties in 2015	Liens Sold on Charity Properties in 2016	Liens Sold on Charity Properties in 2017	Charities on 30-day List for 2018 Sale ³
TOTAL	60	37	17	33	6	91	40⁴	311
Brooklyn	24	13	3	14	2	34	15	157
Queens	4	13	3	6	0	23	8	55
Bronx	19	7	6	9	3	23	12	47
Manhattan	6	2	4	2	0	10	5	44
Staten Island	7	2	1	2	1	1	0	8

Impacts on Organizations With Pending Applications

The **AI Muneer Foundation in Jamaica** (Queens, Grodenchik) was improperly denied exemptions every year 2011-15 for an improper reason - a Certificate of Occupancy in the correct class but the wrong designation (the Certificate said "doctor's office" while the use was a community center). **State law does not require that Charity properties have certificates of occupancy at all to qualify for exemptions. Even properties for which a use is contemplated are exemption-eligible.** While DOF reviewed their application, AI Muneer paid \$32,370.85 to DOF to try to keep the property out of the lien sale, but eventually they could no longer afford to make the payments. Their debt went to the tax lien sale and the tax lien trust initiated foreclosure. AI Muneer had to defend the court case, paying \$26K in legal fees. After advocacy directly with the DOF by members of the Coalition, last year their exception application was finally accepted. DOF followed state law and granted it to the date of deed. AI Muneer got a refund check for the \$32,370.85 they had paid from the City for the money they paid. There is no way of knowing where this is happening unless groups reach out to advocates.

Impacts on Organizations that Have Appealed Exemption Denials with Tax Commission

The **Mary Mitchell Center in Crotona** (Bronx, Torres), which is in the process of appealing an illegal exemption denial for a building they own and are in process of developing as a community hub, just paid DOF \$2,552.50 to stay out of the 2018 lien sale. They gambled on being able to get a refund after the exemption is established. They filed the appeal paperwork in October 2017 and are still waiting for a hearing date.

Bottom Line: Not-for-profit organizations in our communities are being unfairly burdened and distressed by opaque and complicated tax-exemption policies.

#ProtectOurPlaces Bill Intro 0245-2018 has Broad Support

We work closely with coalition members throughout NYC that are directly impacted by the tax lien sale and that are providing assistance to not-for-profit administrators. The coalition is coordinated by **596 Acres** and members include the **Community Development Project at UJC**, **LSNY/Staten Island Legal Services**, **Faith in New York**, **Community-Based Research Students of City College of NY**, and more partners.

³ From 2018 Lien Sale 30 Day Notice List Parcels with Property Tax Exemptions pursuant to 420-A, 420-B, 446 or 462 of Real Property the Tax Law (2013-2017), http://www1.nyc.gov/assets/finance/downloads/pdf/lien_sale/2018/30-day/30-day-notice-nfp.pdf, published by Department of Finance on April 17, 2018, with those properties that were sold to entities not eligible for exemption removed from totals. This process only identifies properties granted prior Property Tax Exemptions from the Department of Finance. It does not capture those that never applied, or those that were denied Exemption and are in the process of appealing.

⁴ This drastic reduction was the result of concerted advocacy and outreach by 596 Acres, the Fordham Legal Clinic and a partnership that these advocates initiated with the Taxpayer Advocate's Office.