

**THE CITY OF NEW YORK  
COMPTROLLER'S OFFICE**

**COMPTROLLER'S INTERNAL CONTROL AND ACCOUNTABILITY DIRECTIVE**

**Directive 15- SPECIAL PROCEDURES TO ENSURE THE TIMELY PAYMENT OF REAL ESTATE TAXES BY OWNERS OF PROPERTY OCCUPIED BY DELEGATE AGENCIES**

**1.0 INTRODUCTION**

This directive sets forth uniform procedures to ensure that owners of facilities occupied by delegate agencies are current in their payments of real estate taxes and other charges. (A delegate agency, for purposes of this directive, is defined as a not-for-profit organization performing services under contract with a City agency in such fields as community services, services for the elderly, mental health, or a variety of other social service fields.)

We have found it necessary to issue this directive because our recent audits disclosed that owners of facilities occupied by delegate agencies owe the City millions of dollars in past-due real estate taxes and water and sewer charges. (Owners of properties occupied by a group of delegate agencies under a single program owe the City approximately \$3.3 million in arrearages.)

Since 1975, the City has required that all direct City leases for real property being submitted to the Board of Estimate for approval must contain a certification that the proposed lessor has fully satisfied all tax obligations outstanding as of the date of the lease. Also, the Department of Real Estate Standard Lease contains a clause requiring lessors to be current in their tax payments.

**2.0 ORGANIZATION**

This directive is organized as follows:

- Procedures to be Followed Prior to Signing of Leases (3.0)
- Procedures to be Followed During Lease Term (4.0)
- "In Rem" Properties (5.0)

**3.0 PROCEDURES TO BE FOLLOWED PRIOR TO SIGNING OF LEASES**

Prior to granting approval on funding a delegate agency lease, the parent City Agency should contact the Department of Finance, Deputy City Collector of the borough in which the property is located, to determine if the proposed landlord is current in payment of real estate taxes. In order to obtain this information, it is necessary to provide the Deputy City Collector with the block and lot number of the property. The block and lot information can be obtained in the City Collector's Office in the appropriate borough.

If it is found that the landlord owes back taxes, approval of the lease should be withheld. Also, a letter should be sent by the parent agency to the landlord advising him to contact the Deputy City Collector to arrange a payment plan. Approval for the lease should not be granted until the Deputy City Collector advises the parent agency that an acceptable payment plan has been arranged. As an alternative, the delegate agency should be advised to seek a different facility for housing its programs.

#### **4.0 PROCEDURES TO BE FOLLOWED DURING LEASE TERM**

In situations where leases are already in effect, the Deputy City Collector should be contacted every six months to determine if delegate agency landlords are current in tax payments. This should be done during May and November of each year to allow for the one month "grace period" after the normal April 1 and October 1 due dates.

If it is found that the landlord is in arrears, the parent agency should notify the landlord of the arrearages and advise him to contact the Deputy City Collector within thirty (30) days to arrange a payment plan. If, after the thirty-day period passes, the parent agency has not been notified of a payment plan by the Deputy City Collector, a second notification should be sent to the landlord that, effective immediately, the parent agency will forward the delegate agency's monthly rental funds directly to the City Collector. This will continue until the landlord's tax and other arrearages are paid, or until the landlord agrees to pay taxes within a reasonable time.

#### **5.0 "IN REM" PROPERTIES**

If, after contacting the Deputy City Collector, it becomes apparent that the arrearages extend back in time for a substantial period (more than one year), inquiry should be made of the City Collector to determine if the property is included in a current "In Rem" action. If it is, the possibility of title vesting with the City exists. Therefore, the delegate agency may be able to occupy the building rent free. Until the City actually takes over the property, rent should be paid directly to the City Collector.