

Third Party Transfer Process

When residential property owners do not pay their taxes and other municipal liens, Local Law 37 empowers the City to initiate a foreclosure action and, upon award of judgment by the court, directly convey these properties to pre-selected, qualified third party owners. The statutory time frame for owner transfer is very restricted. Once the *in rem* judgment is entered, the conveyance process must be completed in eight months, tolled by up to 45 days during which time the City Council can disapprove of the selected new owners.

FORECLOSURE JUDGMENT

City commences an *in rem* tax foreclosure against property of owners in arrears in a particular tax area (which may be as small as a tax block).

A judgment of foreclosure is issued by the Court.

(8 to 18 months)

MANDATORY REDEMPTION

After the judgment has been entered, there is a mandatory four-month redemption period during which the owner may pay outstanding taxes and other liens (or, in some cases, enter into a repayment agreement) to retain title to the property.

HPD reviews and selects a qualified third party owner for each property from a pool of entities qualified through the RFQ process.

(4 months)

TRANSFER PHASE

After the mandatory redemption period, HPD has four months to transfer title to the new owner.

HPD sends names of proposed new owners to the City Council for review. The City Council has up to 45 days to disapprove of the selected new owners.

If title is not transferred within four months, tolled by the 45 day City Council review period, title remains with current owner.

HPD may transfer title to an Article XI holding company in preparation for final transfer to the new owners.

(4 months, tolled by up to 45 days)

POST TRANSFER PHASE

The holding company will enter into a net lease for the properties with the selected new owners who will manage the properties and arrange rehabilitation financing.

The holding company will provide technical support and assistance to the selected new owners in managing the properties and will transfer title to them upon completion of financing arrangements.

(6 to 12 months)