



# New York City's Tax Lien Sale: History, Outcomes, and Alternatives

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# Executive Summary

The tax lien sale is currently New York City's main mechanism to enforce payment of taxes and other property-based charges. When property owners fail to pay City property taxes, water and sewer bills, or repair charges, the City puts a lien on the property and the balance accrues interest. A lien is a legal claim to collect the debt. If left unresolved for one to three years, the property's lien can become eligible for the tax lien sale, where the City sells the debt to the third-party Tax Lien Trust ("Trust"). New York City's tax lien sale has been controversial since its instatement. Opponents argue that it disproportionately impacts Black and Hispanic communities, reinforcing existing inequities in homeownership opportunities and affordability.

Starting in 1996, the City Council authorized the Department of Finance (DOF) to hold a tax lien sale annually to address unresolved property tax debt, replacing the *in rem* program. This system remained in place until City Council paused the sale in 2022 amid growing opposition. Following the pause, City Council passed Local Law 82 of 2024, which renewed the tax lien sale for 2025. Local Law 82 introduced reforms which aimed to resolve debts ahead of enforcement, reduce the number of liens sold, and prevent foreclosure. It also created a Task Force to study additional reforms to the lien sale and alternative systems of tax enforcement. The 2025 tax lien sale, which took place in June 2025, was the first held under the new reforms.

In this report, IBO examines trends in lien sales from 2015 through 2025, particularly in light of the 2024 reforms. IBO also analyzes characteristics of properties in these lien sales to contextualize the scope of the reforms. (All years refer to calendar years unless otherwise noted.) Key findings include:

In 2025, the number of liens sold on one- to three-family homes increased 77% from the last lien sale in 2021. Over the same period, multifamily (four or more residential units) liens sold increased by 48% and commercial liens by 35%. The overall increase in liens sold in 2025 may reflect the accumulation of debt during the four-year pause of the lien sale or the fact that the 2021 sale excluded liens for water bill debt.

Adjusting for inflation, the amount of debt associated with sold liens increased for all property types, especially for multifamily and commercial properties. In 2025, the average debt per lien sold doubled for multifamily and quadrupled for commercial properties, compared with the average debt in 2015.

Most property owners receiving a lien sale notification take action to avoid having their liens sold, consistent with the primary objective of the lien sale. The share of eligible liens that were included in the final sale was 15% in 2025, lower than any other year reviewed.

In majority-Black and/or Hispanic neighborhoods, there are more properties with liens sold, more properties facing lien foreclosure, and more highly distressed rental properties with liens than in other neighborhoods. Of liens sold on one- to three-family homes in 2025, 72% were in majority-Black and/or Hispanic neighborhoods, compared with 62% in 2021.

Nearly 600 one- to three-family homes with liens sold prior to 2025 are currently in the foreclosure process. Over the last ten years, at least 1,000 properties went through the full foreclosure process and were sold at auction; 214 were one- to three-family homes. Due to limited data reporting, this is likely an undercount.

Many multifamily properties eligible for multiple tax lien sales have elevated rates of hazardous housing code violations, as high as 20 open violations per unit. On average, multifamily properties that have had at least one lien sold have about 2.4 hazardous violations per unit, much higher than the citywide rate of 0.18 per unit.

Over 350 multifamily rental buildings have liens owned by the “Graveyard Trust,” an entity that oversees all chronically unresolved liens sold since the introduction of the tax lien sale. Nearly 60% of these properties have not paid off any debt since having their liens sold. The long-term lack of a resolution for these properties underscores a gap in available strategies to return them to beneficial use, such as affordable housing.

Despite the 2024 reforms, outcomes of the 2025 lien sale indicated that some central criticisms of the program remained, prompting the City Council to continue to seek reforms. In December 2025, City Council passed a series of bills to establish a New York City Land Bank by 2029 to enforce liens and promote the return of delinquent properties to publicly beneficial uses. While the land bank adds public accountability to the entity enforcing liens, the processes by which the land bank will purchase and enforce liens are currently undefined.

The Mamdani administration will not hold a lien sale in 2026 and reduced expected tax revenues by \$80 million for fiscal year 2026 in the Preliminary Budget to reflect this. The Administration also proposed an increase to the citywide property tax rate starting in 2027, while also stating interest in pursuing property tax reform and a review of the City’s tax enforcement policies.

While lien sale reforms may help reduce the burden for some property owners, underlying structural inequities in housing, lending, and tax policy also play a role in outcomes. The Mamdani administration may consider additional measures to help prevent delinquency for owners and increase enforcement for distressed rental properties, transferring them to new ownership when necessary. Going forward, the Mayor and City Council will continue to examine how lien sale reforms and the nascent land bank model may further promote housing goals and equitable property tax enforcement.

## Introduction

The Real Property Tax is the largest tax revenue source for the City, collected through the Department of Finance (DOF). In fiscal year 2026, IBO estimates property taxes will total \$35.3 billion, comprising 42% of total City tax revenue. Property taxes enter the City's general fund and can support all aspects of the City's expense budget. The Department of Environmental Protection (DEP) collects water and sewer charges from property owners, totaling \$4.7 billion in fiscal year 2025. Water and sewer charges are how the City funds maintenance, operations, and capital improvements for its water systems.

When property owners do not pay their property taxes, fees, or other charges, the City places liens on those properties. A lien is a legal claim to collect the debt owed. If the debt remains unpaid for one to three years (depending on the property type, debt type, and amount owed), the property can eventually become subject to the tax lien sale. This is the process by which the City sells those liens to a third-party purchaser, the Tax Lien Trust, resulting in added fees and fines for the owner as interest continues to accrue.<sup>1</sup> Once a property is deemed eligible for the tax lien sale, DOF notifies the property owner leading up to the sale and provides information about how to avoid being in the sale. If owners have their liens sold, continuing unpaid debts can lead to foreclosure by the Tax Lien Trust. (The tax lien sale process is explained in the next section of this report.)

DOF held an annual tax lien sale from 1996 through 2019. (All years refer to calendar years unless otherwise noted.) The lien sale was then cancelled in 2020 due to the COVID-19 pandemic and held in 2021 but excluded liens for water and sewer bills. The City Council voted not to reauthorize the annual tax lien sale for 2022 amid criticisms of the lien sale process, particularly for claims of its racially inequitable impacts on homeowners. No lien sales were held from 2022 through 2024.<sup>2</sup>

With delinquency in property tax payments having risen from \$560 million in fiscal year 2022 to \$883 million in fiscal year 2024, City Council passed [Local Law 82](#) of 2024, which reinstated the lien sale and introduced several reforms.<sup>3</sup> The main goals of the City Council's 2024 reforms were to resolve debts ahead of enforcement, reduce the number of liens sold, and prevent foreclosure and loss of homes.<sup>4</sup> The June 2025 lien sale was the first held under the new reforms. Local Law 82 also formed a temporary Task Force to study other potential reforms to the lien sale and alternative systems of tax enforcement that could promote greater equity, stability, and housing affordability.

Following the 2025 lien sale, interest in reform continues among City Council. In January 2026, City Council passed three bills to replace the Tax Lien Trust with a land bank by 2029. The land bank would purchase and enforce tax liens and aims to promote the return of tax-delinquent properties to publicly beneficial use. This is defined by the law to include affordable housing and “property uses that best serve the interests of the community, but which are not sufficiently provided for by the free market.”<sup>5</sup>

There are many reasons why a property owner may not pay property taxes or charges—including limited income or assets to make payments, lack of access to borrowing capital,

choosing to abandon the property, or lack of awareness of tax debt associated with a property. Complicated title issues can also arise when a previous property owner dies and new ownership is unclear or contested. DOF generally does not consider reasons for delinquency in determining eligibility for the tax lien sale, with some exceptions.<sup>6</sup>

The history of racial discrimination in housing contributes to lien sale outcomes. The majority-Black and/or Hispanic neighborhoods that have the most liens sold are the same ones that have historically been targeted with redlining, disinvestment, and predatory lending.<sup>7</sup> Redlining is the practice of not lending to homeowners in communities deemed as financially risky, largely based on racial discrimination. Further, the City’s property tax system has been criticized as inequitable across types of property ownership and neighborhoods—there is currently a [lawsuit by Tax Equity Now New York](#) alleging this inequity—and the tax lien sale is its enforcement mechanism. Homeownership is a major factor in intergenerational wealth, so these barriers to stable homeownership have lasting ramifications.

In this report, IBO analyzes the outcomes of the 2025 sale through the lens of the 2024 reform goals and discusses the history, recent trends, and outcomes of tax lien sales from 2015 through 2025. Understanding the 2025 lien sale is particularly relevant as the City now moves to implement new enforcement mechanisms to balance tax enforcement, equity interests of property owners, tenant stability, and broader community needs.

## How the Tax Lien Sale Works

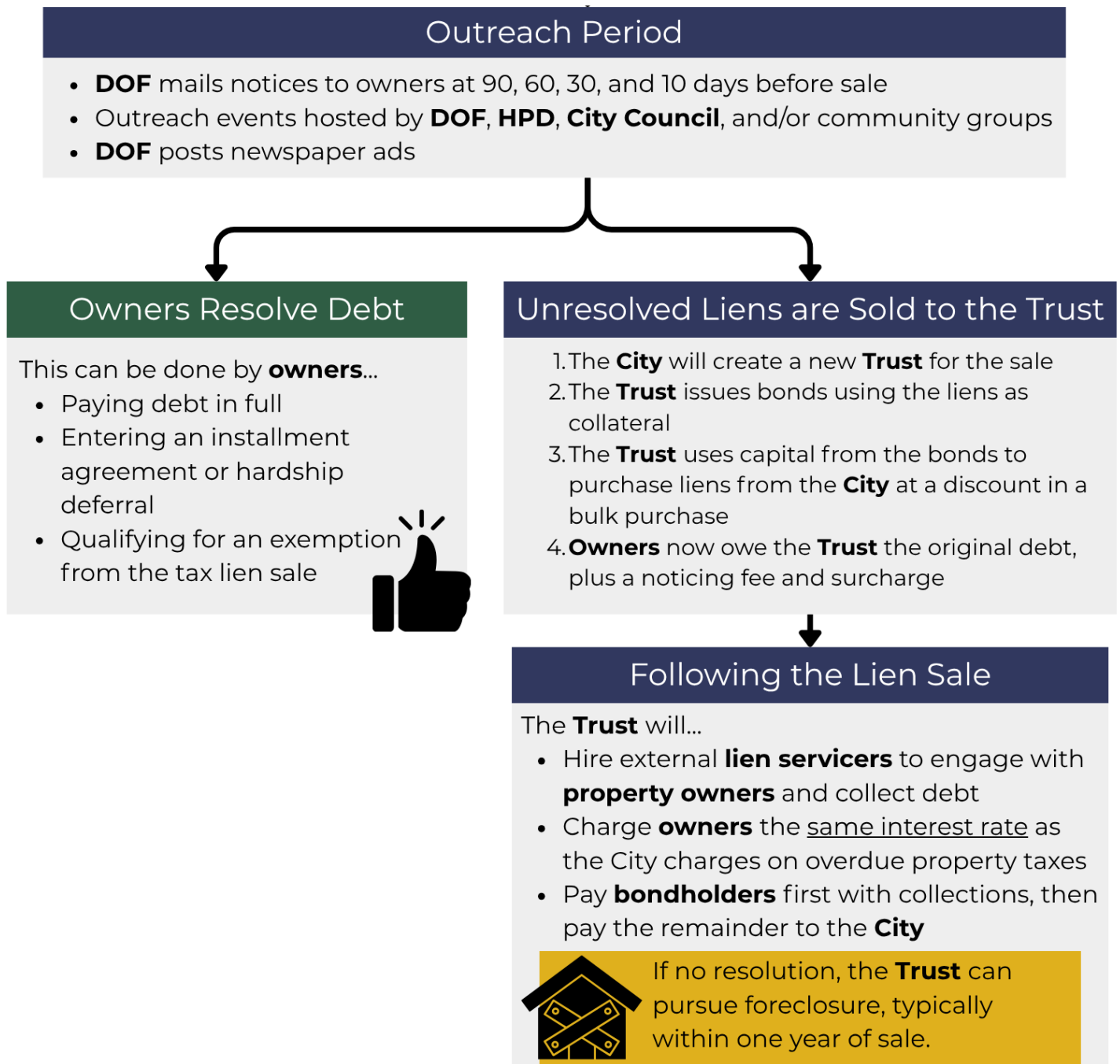
The tax lien sale is the City’s central enforcement mechanism for property taxes, water and sewer bills, and Department of Housing Preservation and Development (HPD) repair charges, operated by DOF. The majority of bills are paid on time—95% of property taxes and 70% of water bills in 2025.<sup>8</sup> When property owners do not pay property taxes, water and sewer bills, or HPD charges from the [Emergency Repair Program](#) (ERP) or [Alternative Enforcement Program](#) (AEP), those debts become liens. A lien is a legal claim to the property if the debt remains unpaid for a certain amount of time.<sup>9</sup>

Properties with unpaid taxes are not automatically eligible for the lien sale. [Lien sale eligibility](#) varies by property type, the amount and type of debt owed, and the length of time that the debt has been outstanding. Overall, residential properties must accumulate larger amounts of debt overdue for longer periods of time to be eligible; vacant lots or commercial properties with outstanding debt can have their liens sold faster. Exemptions from the lien sale are available, such as for resident-owners of one- to three-family homes with certain tax exemptions.<sup>10</sup>

Once a property is deemed eligible for the tax lien sale, DOF notifies the property owner and provides information about how to avoid being in the sale. Notices are sent by postal mail 90, 60, 30, and 10 days before the sale to both the property address and to the property owner’s address, if different. DOF also hosts events and posts advertisements of the lien sale. During this period, most property owners (over 80%) take action to avoid having their liens sold, either by paying the outstanding debt, entering a payment plan with DOF, applying for an exemption, or, as of 2024, using the “Easy Exit” option which allows owners to opt out of the lien sale up to three times.<sup>11</sup> Figure 1 presents the steps and actions in the lien sale process.

FIGURE 1

Steps in the Lien Sale Process



SOURCE: DOF Tax Lien Sale Briefing for IBO (presented to IBO on March 3, 2025).

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After 90 days of notice, the City sells unresolved liens to the Tax Lien Trust (“the Trust”). The Trust is a legal entity created and owned by the City and overseen by a third party financial institution (Wilmington Trust Company) to “accelerate the...receipt of payments on account of the Tax Liens...and to maximize the economic return to the [City].”<sup>12</sup> A new Trust is created for each lien sale. Recognizing that not all debt will ultimately be collected, the unresolved

liens are sold by the City to the Trust at a discount. To generate capital needed to purchase the tax liens from the City, the Trust issues bonds backed by debt collections (a process called “securitization”) that are sold in the capital markets, often to investment banks. The Trust-issued bonds are legally separate from the City’s tax revenues and the City’s general obligation bonds. Actual revenues from lien sales ranged from \$59 million to \$129 million in fiscal years with a lien sale since 2017.

The Trust hires debt collection servicers to pursue the debt owed by property owners.<sup>13</sup> The servicers charge owners up to 16% interest on debts, compounded daily, which is the same interest rate DOF charges on property tax debts.<sup>14</sup> Collections first go through the Trust to pay bondholders, and the residual revenue goes to the City. Typically, if the debt is not resolved within one year, the Trust initiates foreclosure. However, foreclosure can begin as soon as 30 days after a sale if interest is unpaid or within six months if the owner does not pay current taxes.<sup>15</sup> Such properties then go through the standard [New York State foreclosure process](#), which takes several months. New York State foreclosures involve multiple steps and notices, ending with properties being publicly auctioned to the highest bidder.<sup>16</sup> The proceeds from foreclosure are used to repay any outstanding debt.<sup>17</sup> The remaining proceeds, if any, are returned to the former property owner.<sup>18</sup>

DOF reports that the Trust model incentivizes the hired debt servicers to collect rather than foreclose on properties, and insulates the City from financial risk associated with the Trust’s bonds. Further, DOF states the Trust mechanism provides a layer of protection for owners in that neither the debt collection servicers the Trust hires, nor the bond investors, have a direct claim to any of the properties.<sup>19</sup>

Properties that are unlikely to resolve their debt and have limited development potential—such as parking spaces and storage units within a condominium building or properties with disputed ownership—are also unlikely to sell at foreclosure auction. These properties’ liens are then managed by the 1998-2 Trust, colloquially called a “Graveyard Trust,” which oversees liens that are unlikely to be resolved.<sup>20</sup> These properties usually have low market values and remain in the Graveyard Trust perpetually unless sold. The use of the Trust model and the Graveyard Trust prevent the City from becoming the direct owner of properties with unresolved property taxes and charges, a role the City took on through the 1970s and 1980s and sought to step away from in creating the tax lien sale and Trust model. It is worth noting, however, that the City has a history of incorporating tax-foreclosed properties into its affordable housing strategy.

## History of New York City’s Tax Lien Sale

### Prior *In Rem* Foreclosure Process

The tax lien sale was introduced in Local Law 37 of 1996 under the Giuliani administration. Prior to the tax lien sale, the main enforcement mechanism for overdue property taxes was *in rem* foreclosure.<sup>21</sup> Under the prior system, the City had broad power to foreclose on and take ownership of properties that had taxes at least one year overdue.<sup>22</sup> With widespread property abandonment and accompanying tax delinquency throughout the 1970s and 1980s, the City

quickly became the owner of tens of thousands of dilapidated properties—particularly low-income rental buildings, both occupied and vacant. The downturn in real estate, along with the poor condition of the buildings, made it difficult for the City to sell them. Consequently, in 1978 the City assumed responsibility for renovations and day-to-day management of these buildings, using capital budget funding to renovate them.

City ownership was seen as a temporary intervention in the face of pervasive abandonment, but the City played an active role in the preservation and management of its portfolio. There were significant City investments in renovations and efforts to sell occupied buildings to tenants or local nonprofits, with many buildings becoming tenant-owned cooperatives which maintained affordability to low-income households. During the era of *in rem* foreclosure, New York City directly took ownership of tax-delinquent properties and sought to return them to publicly beneficial uses. This kept many New Yorkers housed, preserved affordability, and made delinquent properties a cornerstone of the City’s affordable housing strategy in this era.

## Creation of the Tax Lien Sale

Despite the affordable housing produced and preserved via *in rem* foreclosure, the majority of the City’s residential portfolio was eventually sold to private developers.<sup>23</sup> Efforts to sell off the City’s portfolio accelerated in the 1990s. The City formally moved away from the *in rem* foreclosure program in 1995 when the Giuliani administration announced a moratorium on new City residential acquisitions and proposed the lien sale as the new tax enforcement system. At the time, the City owned about 50,000 units across 5,000 buildings acquired through *in rem* foreclosure. Moving from *in rem* foreclosure to a lien sale system, the Giuliani administration cited that the City would be able to resolve property tax debt more quickly, generate revenue for the City, and shed its costly real estate portfolio which included properties in various states of disrepair. Over the years, the City made more types of debt eligible for lien sales, including standalone water and sewer bills in 2007 and ERP charges in 2011.<sup>24</sup>

## Creation of Third Party Transfer Program

At the same time that the lien sale was passed, City Council introduced the Third Party Transfer (TPT) program in Local Law 37 of 1996, intended to facilitate the transfer of highly distressed multifamily properties from delinquent owners to a nonprofit. The nonprofit would then be responsible for rehabilitating the property, essentially replacing the City’s role in the prior *in rem* program.

TPT addressed concerns that the tax lien sale would not be well suited to abandoned or physically distressed multifamily rental properties. These properties are more likely to fall into a cycle of tax delinquency and further disinvestment, having low prospects of debt repayment and no sale potential in the private market. In the rules for TPT, the City defines a property with a lien-to-value ratio over 15% and more than five open hazardous violations per unit as “distressed.”<sup>25</sup> (IBO uses the term “legally distressed” to refer specifically to properties that meet this legal definition in this paper.) As such, legally distressed multifamily properties are specifically excluded from the lien sale; TPT is the enforcement mechanism run through HPD.

HPD has not used TPT since 2019, with one exception in 2025.<sup>26</sup> The program was paused after a [Council report](#) found that it transferred many properties which were not physically or financially distressed, mostly concentrated in majority-Black and/or Hispanic neighborhoods.<sup>27</sup> A bill (Intro [657-2026](#)) is currently in Council to reform and renew the program. Mayor Mamdani has also expressed interest in transferring highly distressed rental properties to new ownership.<sup>28</sup>

The adoption of the lien sale and TPT signaled a shift in the role the City played in addressing delinquent and abandoned properties. The Trust—owned by but legally separate from the City—became the entity that leads delinquent tax collection and holds the claim to the property. Public auction became the path to different ownership and use, and ownership goes to the highest bidder. Under TPT for legally distressed properties, the City also no longer takes direct ownership of properties. In both cases, the City avoids its prior role of rehabilitating delinquent properties and determining their ownership.

## Trends in Recent Tax Lien Sales

To understand the scale of the lien sale and the trends in outcomes over time, particularly in light of the 2024 reforms and ongoing discussion around alternative tax enforcement models, IBO reviewed DOF lien sale data from 2015 through 2025.

### More Liens Sold in 2025 Following Four-Year Pause

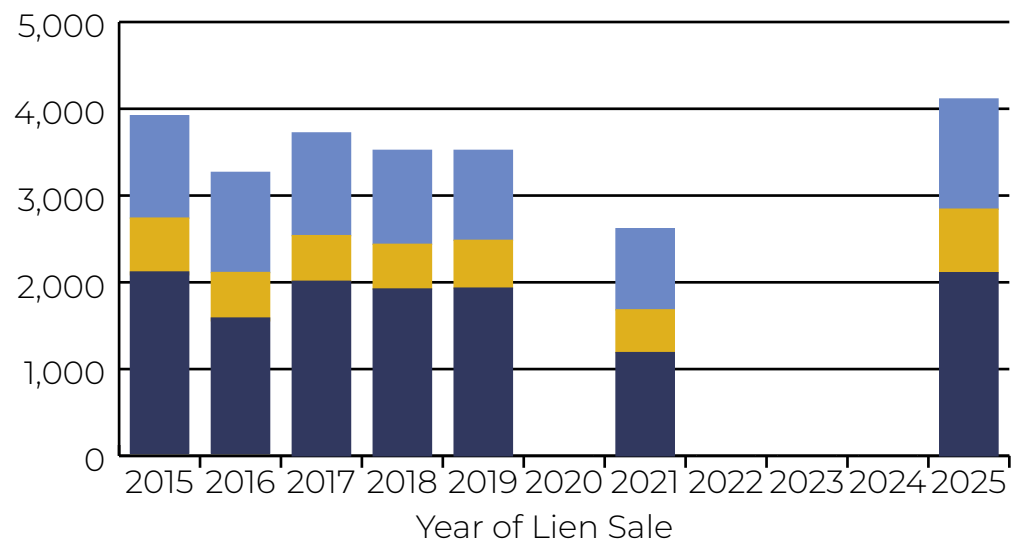
The number of liens sold in each tax lien sale reflects the number of eligible properties that did not resolve their debts prior to the sale date. The number of liens sold decreased from 2015 through 2021 but increased in 2025, as shown in Figure 2. Due to hardships related to the COVID-19 pandemic, there was no 2020 sale, and the 2021 lien sale did not include water or sewer liens which resulted in fewer liens sold.<sup>29</sup> During the four-year pause in the lien

FIGURE 2

#### Liens Sold by Property Type, 2015-2025

- One- to Three-Family Homeowner Property
- Multifamily Rental Property
- Commercial Property

Liens Sold



SOURCE: DOF Tax Lien Sale Lists, 2015-2025

NOTES: Excludes condominium tax lots (which are frequently non-residential lots, like parking spots) to isolate residential properties. Cooperatives are included as Multifamily Rental Properties. There were no tax lien sales in 2020 or from 2022 through 2024.

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sale, more properties accumulated unpaid debt, likely resulting in the higher number of liens sold in 2025.

One- to three-family homes represent about half of all liens sold in each sale (roughly 12,800 of 24,800 liens sold since 2015).<sup>30</sup> The number of liens sold on one- to three-family homes fell from 2015 through 2021 while other property types remained at roughly the same level, but liens sold increased across all property types in 2025. The number of liens sold on one- to three-family homes nearly doubled between 2021 and 2025, growing 77% (from 1,190 to 2,111). By contrast, the number liens sold increased by 48% for multifamily properties and 35% for commercial properties in the same timeframe.

The increase in 2025 may reflect both the low number of liens sold in 2021 because water bill liens were excluded and the accumulation of more debt while the tax lien sale was paused for four years; however, 2025 still saw the most liens sold since at least 2015.

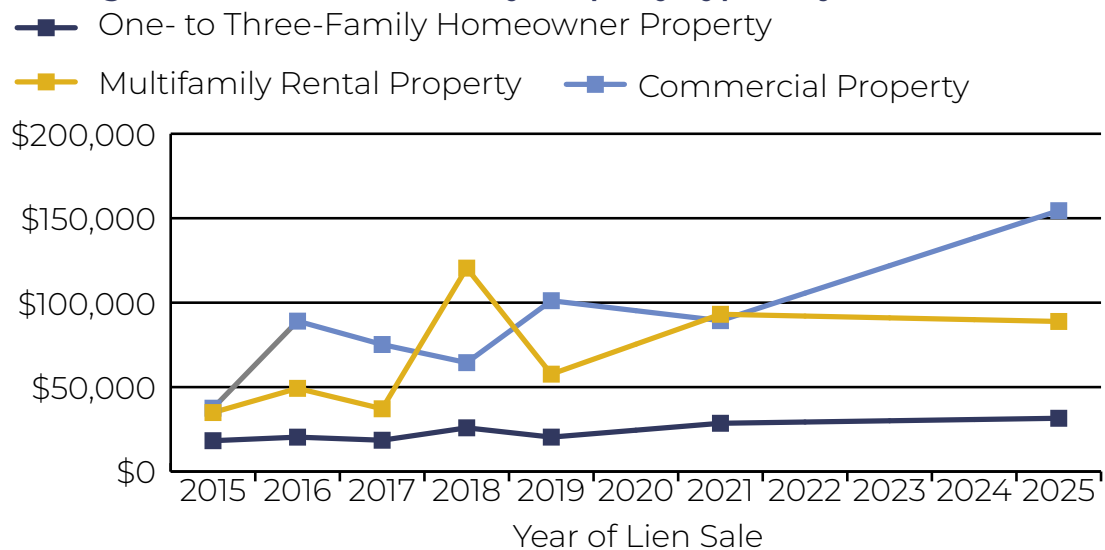
### Average Lien Balances Increased Across All Property Types

The average amount of debt sold per property has increased across all tax classes since 2015, even after adjusting for inflation (see Figure 3). Compared with one- to three-family homes, multifamily and commercial properties saw more dramatic increases in debt owed—doubling and quadrupling, respectively—indicating more severe tax delinquency for multifamily and commercial properties. According to DOF, the spike in average lien balances for multifamily properties in 2018 was attributed to the sale of liens on a few large multifamily properties.<sup>31</sup>

The higher lien balances in 2025 likely reflect properties that accumulated more debt while the tax lien sale was paused for four years. However, it is part of a preexisting trend seen in Figure 3 toward higher lien balances since 2015, even after adjusting for inflation.

**FIGURE 3**

#### Average Balance of Lien Sold by Property Type, Adjusted to 2025 Dollars



SOURCE: DOF City Council New York City Tax Lien Quarterly Reports—Q4 2025.

NOTES: Excludes condominium tax lots (which are frequently non-residential lots, like parking spots) to isolate residential properties. Cooperatives are included as Multifamily Rental Properties. Balance includes overdue property taxes, water charges, and Emergency Repair Program (ERP) charges. There were no tax lien sales in 2020 or from 2022 through 2024. Balances adjusted for inflation to 2025 dollars using Consumer Price Index.

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## Share of Eligible Properties Included in Final Sale Decreased in 2025

The 2025 lien sale saw decreased shares of eligible liens ultimately sold across all tax classes. Although Figure 2 showed that 2025 had the most liens sold of any sale in the past ten years, the 2025 liens sold represented less than 15% of the eligible properties notified. The remainder of properties avoided

the sale, suggesting progress toward DOF's goals. However, it is unclear whether this outcome is a result of the pause in enforcement over the prior years. The four-year pause may have increased the number of property owners that could have paid their debts but chose not to in the absence of an enforcement mechanism. Those same property owners would likely have been among the first to resolve debts after receiving the first notice of lien sale eligibility.

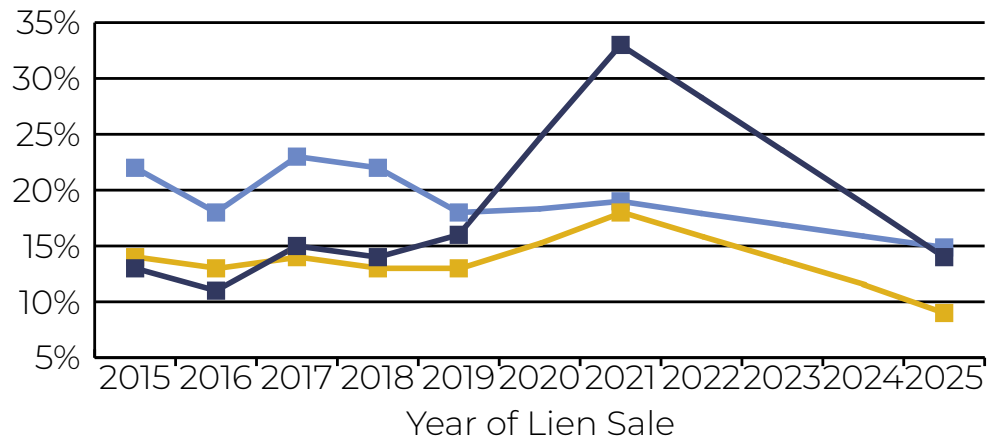
As discussed, most property owners with overdue taxes or bills take action, such as paying their debt, or entering a payment plan with DOF, during the 90-day notice period ahead of a lien sale in order to avoid the sale. Overall, for lien sales from 2015 through 2025, only 17% of properties that were initially eligible for the lien sale, on average, had their liens sold (see Figure 4). The share of properties with liens ultimately being sold varied by tax class. Commercial properties typically had the highest share (around 20%) while one- to three-family homes and multifamily rental properties have lower shares (around 10-15%).

However, in 2021 the share of eligible one- to three-family homes with liens sold jumped to over 30%. This meant that owners of these smaller homes were less likely to be able to resolve their debts or enter payment plans before the lien sale. This outcome could also be driven by the exclusion of water bill liens in 2021, which are typically for smaller amounts than property taxes and therefore easier to resolve before the lien sale.

FIGURE 4

### Share of Eligible Properties in Final Lien Sale by Property Type

■ One- to Three-Family Homeowner Property  
■ Multifamily Rental Property ■ Commercial Property



SOURCE: DOF Tax Lien Sale Lists, 2015-2025

NOTES: Excludes condominium tax lots (which are frequently non-residential lots, like parking spots) to isolate residential properties. Cooperatives are included as Multifamily Rental Properties. There were no tax lien sales in 2020 or from 2022 through 2024. Share is calculated as the number of properties that had their liens sold divided by the number of properties that received an initial 90-day notice.

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## Criticisms and 2024 Reforms

City Council's four-year pause of the tax lien sale occurred in response to criticisms around its disparate impacts. In a letter signed by 31 of 51 councilmembers, they expressed opposition to renewing the sale for its “predatory and prohibitively steep fees and fines on primarily low income, senior, and Black and brown homeowners.”<sup>32</sup> The Local Law 82 reforms were intended to address such concerns about disparate neighborhood and demographic impacts. IBO analyzed data to contextualize the outcomes of these reforms as the City continues to adjust its approach to addressing tax and property charge delinquency.

### Impacts of Tax Lien Sale on One- to Three-Family Homeowners

A common criticism of the tax lien sale cited by City Council Members and advocates is that it disproportionately impacts property owners in majority-Black and/or Hispanic neighborhoods. This issue has been raised both anecdotally and in past research.<sup>33</sup> Critics of the tax lien sale argue that, by promoting foreclosure, it accelerates displacement pressure in gentrifying and historically disinvested neighborhoods and that it undercuts a source of generational wealth for racial groups that have been historically excluded from homeownership. Some critics also argue that the tax lien sale exacerbates the inequities caused by the history of housing discrimination and the property tax system.<sup>34</sup>

Local Law 82 enacted several reforms intended to help homeowners avoid the lien sale. The Easy Exit program allows homeowners to opt out of the sale as-of-right up to three times. There were broad outreach efforts by DOF, HPD, City Council, and community groups ahead of the 2025 sale to inform homeowners of this and other options available, such as payment plans.<sup>35</sup> According to DOF, there were 841 applications for Easy Exit out of over 15,000 initially eligible one- to three-family homes in the 2025 sale. The Easy Exit program allows the homeowner additional time but does not change the underlying debt or accumulated interest, potentially allowing larger debts to accumulate for property owners unable to address the initial debt.

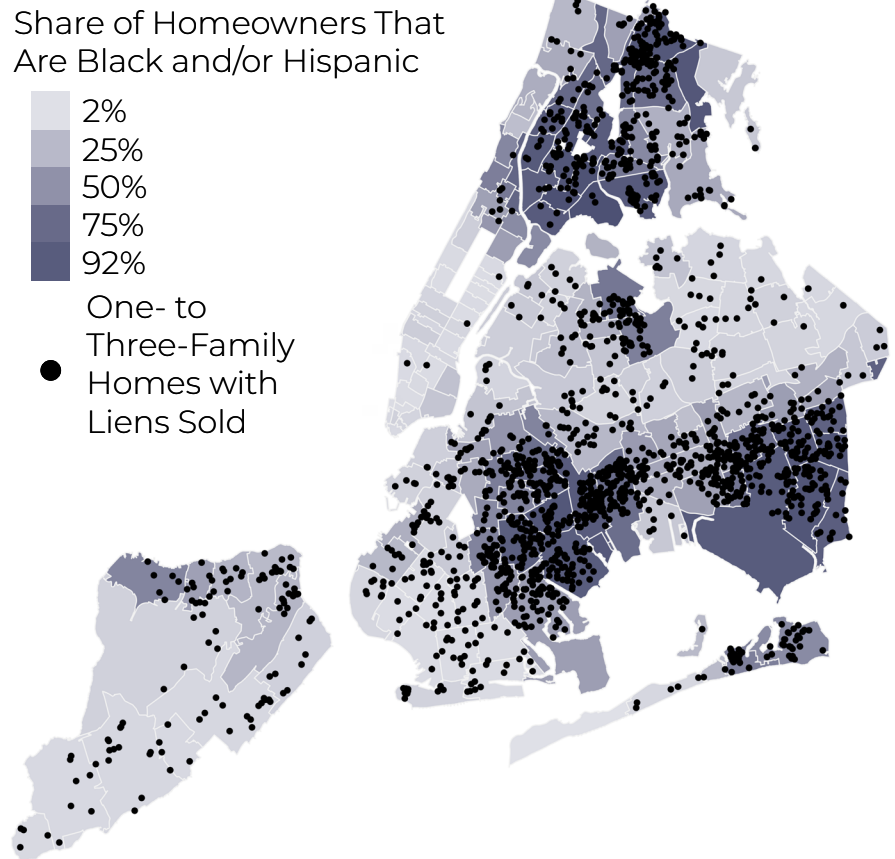
In the 2025 sale, more liens continue to be sold in majority-Black and/or Hispanic neighborhoods than in majority-White neighborhoods, likely reflecting the history of racial discrimination in housing discussed previously.<sup>36</sup> In 2021, there were 566 liens sold on one- to three-family homes in majority-Black and/or Hispanic neighborhoods (62%), compared with 349 liens sold elsewhere. The 2025 lien sale was even more geographically concentrated with 72% of liens (1,366 out of 1,892) sold on properties located in majority-Black and/or Hispanic neighborhoods.

To further isolate the impacts of the lien sale on homeowners, Figure 5 maps the share of all homeowners that are Black and/or Hispanic by zip code with the location of liens sold on one- to three-family homes in 2025.<sup>37</sup> DOF does not collect demographic data on owners of properties with liens, so IBO uses data on homeowner race and ethnicity by zip code as a proxy. There is a clear concentration of liens sold on one- to three-family homes in areas with the highest shares of Black and/or Hispanic homeownership. Despite the 2024 reforms, the outcomes of the lien sale remain racially disparate.

Not only does the lien sale introduce additional fees and fines on top of mounting interest after a lien is sold, ultimately the lien sale also comes with the threat of foreclosure. Local Law 82 introduced the Qualified Preservation Purchaser program, intended as a last resort for homeowners facing foreclosure. While it does not help owners avoid the lien sale, it allows them to stay in their homes. Under this program, a homeowner who has had their lien sold can opt for “voluntary foreclosure” and have their home purchased by a “qualified preservation purchaser,” a housing nonprofit approved by HPD. The purchaser enters an agreement with HPD to lease the property back to the former owner at an affordable rent. This allows the owner to stay in their home, resolves the debt, and returns remaining equity in the property to the former owner, but the former owner becomes a tenant and loses the opportunity to pass on generational wealth through homeownership. As of January 2026, no homeowners had opted into the program. It is too soon to see definitive results for lien sale foreclosure reforms passed in 2024.

**FIGURE 5**

**Liens Sold on One- to Three-Family Homes in 2025 Compared With Share of Homeowners That Are Black and/or Hispanic by Zip Code**



SOURCE: DOF Tax Lien Sale Lists, 2025, 2020 Decennial Census.

NOTE: Excludes condominium tax lots and vacant lots.

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To contextualize concerns around lien foreclosures on homeowners, IBO analyzed foreclosures initiated by the Trust. According to the December 2025 [Trust Quarterly Report](#), there are nearly 600 one- to three-family homes currently in the lien foreclosure process. Figure 6 shows that homeowners affected by foreclosure proceedings initiated by the Trust are concentrated in majority-Black and/or Hispanic neighborhoods—particularly central and eastern Brooklyn and eastern Queens.

Over the last ten years, at least 1,008 lien sale properties went to the last step in the foreclosure process for unresolved debt, with the property being sold at public auction. Due to limitations in the reported data, which provide only a point-in-time foreclosure status, there are likely more properties which have gone to auction but cannot be reflected in the analysis.

As shown in Figure 7, the majority of properties sold at auction were condominium tax lots, which can be any type of privately owned space in a shared property (such as a parking space or roof deck, not necessarily a housing unit), and vacant land (626 properties). There were at least 214 one- to three-family homes sold at auction since 2016, 21% of identified properties.

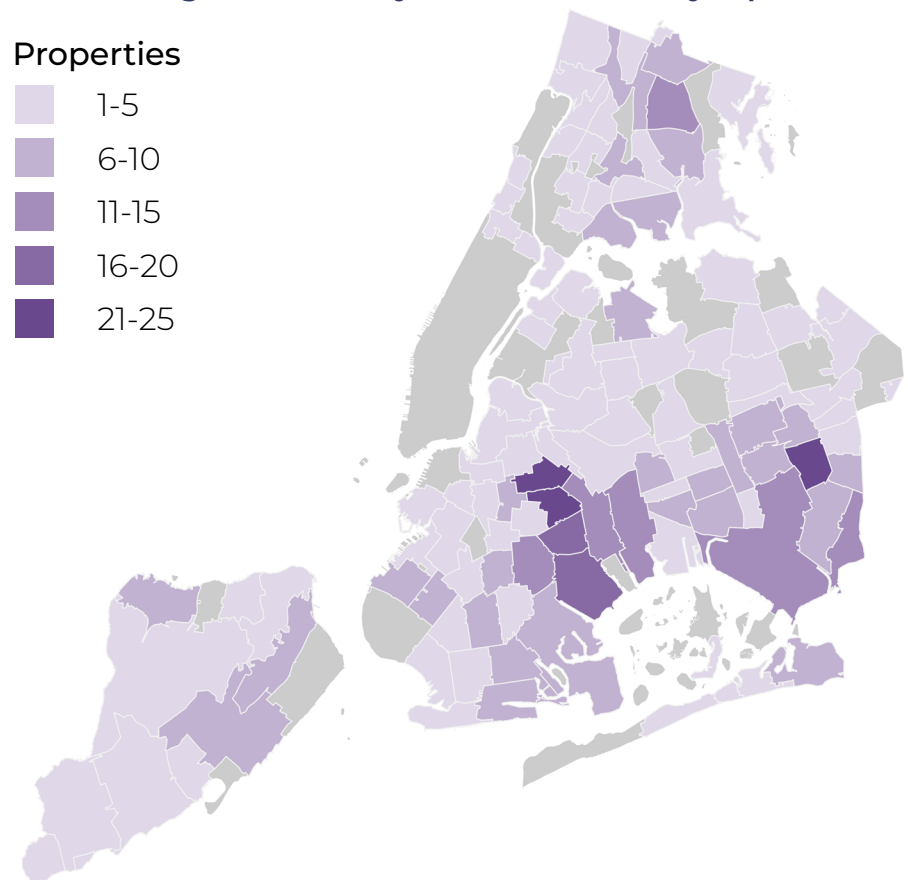
The number of properties sold at auction remained relatively stable over the last ten years, typically ranging from 100 to 125 properties sold per year. Exceptions include a jump in 2017 and a drop in 2020 and 2021, the latter likely related to the State-enacted eviction moratorium which limited foreclosure proceedings.<sup>38</sup>

There was also a slight drop in 2025, likely due to the four-year pause in lien sales from 2021 through 2025. The number of one- to three-family homes sold at auction has fluctuated in recent years, with 16 in 2023, 25 in 2024, and 15 in 2025. Considering the 2024 reforms' goal to reduce the number of foreclosures, it will be important to monitor whether the decrease in 2025 is a lasting trend. However, to better understand historic trends, increased transparency in the reporting of foreclosure status by lien servicers is needed.

The tax lien sale process puts stress on property owners even if lien foreclosure is not the final outcome. Homeowners can avoid foreclosure by entering a payment plan, but their debt continues to accrue interest. Like most forms of debt, the interest and fees that accrue from servicers and payment plans cause homeowners to pay thousands of dollars more than they initially owed, on average.<sup>39</sup> As a last resort, the Qualified Preservation Purchaser program

**FIGURE 6**

**One- to Three-Family Homes With Active Foreclosure Proceedings Initiated by Tax Lien Trust, by Zip Code**



SOURCE: DOF City Council New York City Tax Lien Quarterly Reports—Q4 2025  
 NOTES: Data includes all one- to three-family properties that are in foreclosure as of December 31, 2025. Excludes condominium tax lots and vacant lots.  
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allows owners to stay in their homes, but still results in foreclosure and a loss of equity.

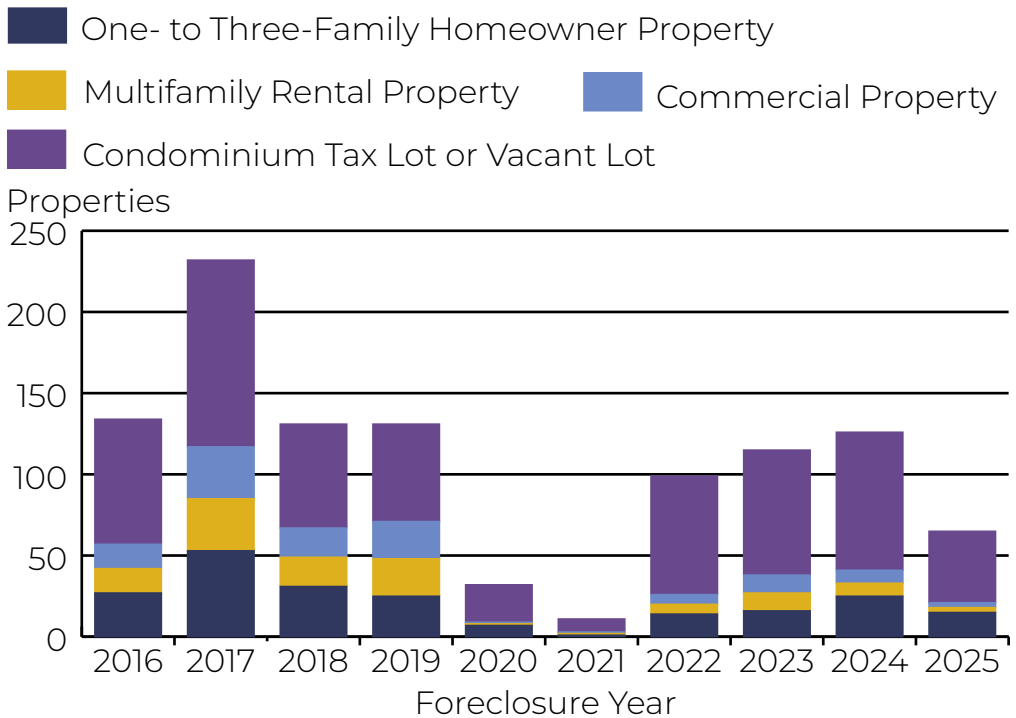
### Impacts of Tax Lien Sale on Multifamily Rental Properties and Housing Quality

There are also concerns that the tax lien sale may harm tenants by prolonging poor housing conditions in rental properties. Financial distress, indicated by overdue property taxes and charges, often runs parallel with poor maintenance in multifamily buildings. With the prior *in rem* foreclosure system, after one year of tax delinquency, the City could become the owner and assume responsibility for property maintenance. In contrast, the lien sale avoids City ownership and encourages payment of overdue taxes. However, this process lengthens the amount of time the original owner retains their property prior to potential foreclosure and increases the amount of debt as fees and interest accrue. This potentially incentivizes owners to prioritize paying off the debt in order to maintain ownership, rather than incurring costs for building maintenance, and could trigger a cycle of deferred maintenance and further disinvestment.<sup>40</sup>

As shown in Figure 7, relatively few multifamily properties end in a foreclosure sale, indicating that these building owners prioritize finding ways to pay off the debt and clear the lien. Although fewer multifamily rental properties have liens sold year-to-year than small homes, these multifamily properties have more residential units and thus the tax lien sale of a multifamily property impacts a larger number of residents. In the 2025 sale, the 732 multifamily buildings with liens sold contained over 6,600 residential units. Because information about lien sale eligibility only goes to the property owner, tenants may not be aware of the risks to their building. In some instances, property owners may be choosing between paying off lien debt and paying for maintenance.

**FIGURE 7**

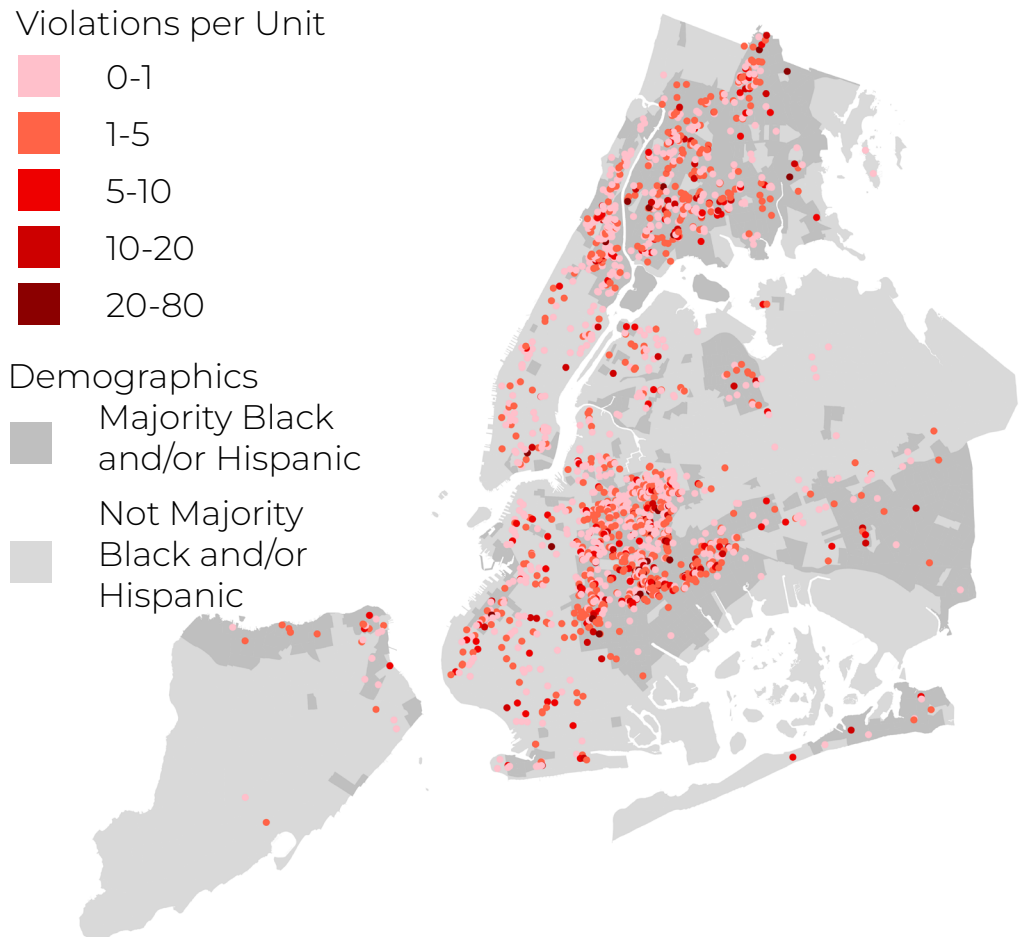
### Lien Sale Properties that Went to Auction through Lien Foreclosure, 2016-2025



SOURCE: City Council New York City Tax Lien Quarterly Reports—Q3 2024 through Q4 2025  
 NOTES: Includes properties with liens identified as “Sold at Auction” or “Trust Marketing Property / Winning Auction Bid” at any point since Q3 2024, the first report which includes a date of foreclosure judgement. Excludes liens that do not have a foreclosure judgement date or foreclosure status, and therefore does not capture all properties sold at auction. Sold at auction does not always mean the property was foreclosed on, as there is a short period following the sale where the property owner may act to resolve the lien by other means.  
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**FIGURE 8**

**Hazardous Housing Code Violations in Multifamily Buildings Eligible for Two out of Prior Four Lien Sales**



SOURCES: HPD Housing Maintenance Code Violations, DOF Tax Lien Sale Lists (2019-2025), PLUTO 24v1, ACS 5-Year Estimates 2023.

NOTES: Tax Class 2 properties (multifamily buildings) which received two notices of eligibility out of prior four lien sale notice periods (2019, 2020, 2021, 2025). Excludes condos and vacant lots. IBO analyzed open Class B and C Housing Maintenance Code violations which had a notice of violation issued from July 1, 2022 through June 30, 2025. IBO does not have data on lien-to-value ratios at the property level.

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Local Law 82 created new code enforcement requirements for HPD related to tax-delinquent rental buildings. HPD must now inspect for housing code violations in any multifamily property that received a notice of eligibility in at least two of the last four lien sales and that has a lien that is at least 15% of the property's value (lien-to-value ratio).

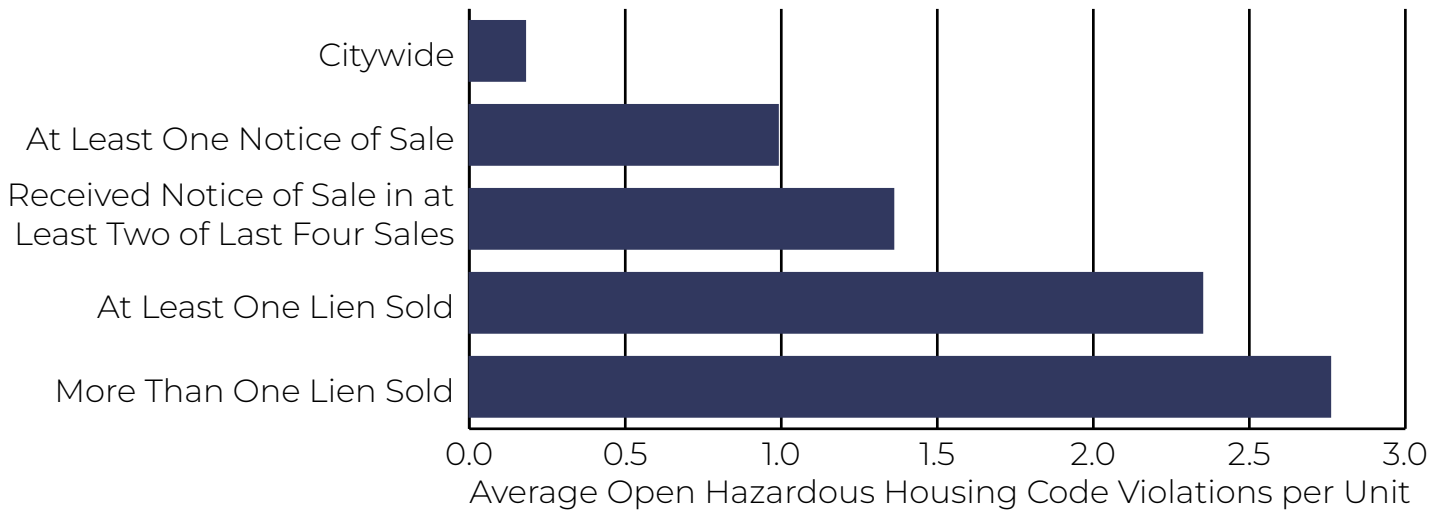
IBO analyzed hazardous violations issued in the last three years for multifamily rental properties which received a notice of eligibility in at least two of the last four lien sales.<sup>41</sup> IBO mapped these repeatedly eligible multifamily rental buildings and open violations per unit before the Local Law 82 inspection requirements took effect. Figure 8 shows high rates of unresolved hazardous code violations for these properties, which are concentrated in central Brooklyn, northern Manhattan, and the Bronx.

Of the distressed properties reviewed, 15% had more than five open hazardous violations per unit.<sup>42</sup> Some have over 20 open hazardous violations per unit. For context, the citywide average rate of hazardous violations for all multifamily properties is 0.18 violations per unit. These hazardous rental properties are concentrated in majority-Black and/or Hispanic neighborhoods. The new requirement to inspect properties may increase violations issued for properties that already have higher violation rates.

Local Law 82 code enforcement rules focus on a small subset of properties eligible for the lien

**FIGURE 9**

**Recent Hazardous Housing Code Violations in Rental Properties by Tax Lien Status**



SOURCE: HPD Housing Maintenance Code Violations, DOF Tax Lien Sale Lists (2015-2025), PLUTO 24v1

NOTES: Class 2 buildings. Excludes condos and vacant lots. IBO analyzed open Class B (Hazardous) and C (Immediately Hazardous) Housing Maintenance Code violations which had a notice of violation issued from July 1, 2022 through June 30, 2025.

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sale, but there may be other circumstances in which housing quality is an issue. IBO reviewed rates of hazardous housing code violations issued in the last three years across all multifamily rental properties eligible for the lien sale. On average, lien sale-eligible rental properties have higher rates of hazardous housing code violations than multifamily properties citywide. Figure 9 suggests that housing quality is an issue across all lien sale-eligible rental properties. Average rates of hazardous code violations are higher for those that have had liens sold, at 2.4 violations per unit, and highest for those that have had multiple liens sold, at 2.8 violations per unit, far exceeding the citywide average of 0.18.

The establishment of the TPT program, along with City rules barring legally distressed multifamily properties from having liens sold, were intended to avoid exacerbating issues of housing quality for renters in highly distressed buildings.<sup>43</sup> However, the legal definition of “distressed” requires that the lien be at least 15% of the property’s assessed value and the property have five or more hazardous housing code violations per unit or \$1,000 outstanding from ERP. Multifamily properties under these thresholds can still have violations per unit well above the citywide average of 0.18 and end up having their liens sold. And for those that do qualify as legally distressed, HPD has not operated TPT in recent years, leaving fewer options for resolving the issues across the multifamily stock. For multifamily properties in severe physical distress, HPD operates several housing quality enforcement programs:

- The [Emergency Repair Program](#) intervenes in cases where landlords do not correct immediately hazardous housing code violations in a timely manner. HPD pays for the repairs to be made and the City charges the property owner for the work. Unpaid charges can become liens on the property and become eligible for the lien sale.
- The [Alternative Enforcement Program](#) increases the frequency of inspections for severely

distressed multifamily buildings in an effort to monitor the correction of violations.

- HPD offers loan programs for distressed affordable multifamily properties, such as the [Participation Loan Program](#) and the [Multifamily Housing Rehabilitation Program](#).

These housing repair programs are not designed to address issues of financial shortfalls that can result in delinquent property taxes and charges and physical disrepair. For some multifamily property owners with liens or who have had liens sold, these interventions may not be enough to resolve the underlying issues—particularly if owners cannot afford or simply do not pay for taxes or repairs in the first place.

There are currently 364 multifamily buildings with liens owned by the Graveyard Trust, indicating chronically unresolved debts and properties that are not purchased at auction. Of these, 214 have not paid any debt since having their liens sold. Most of the properties had their liens sold in the last ten years, but some had their liens sold as far back as 1996. Hundreds of rental buildings translate to thousands of rental units languishing in financial, and likely physical, distress. This suggests that there is a considerable number of tax-delinquent multifamily properties for which existing interventions are not enough to alleviate conditions. In the face of a significant shortage of affordable housing, the fact that these properties remain in limbo underscores a shortcoming in the ability of existing mechanisms to return these properties to quality, stable housing.

## Current Discussions on Future of Tax Lien Sale and Land Bank Alternative

Following the passage of Local Law 82 of 2024, conversations around reforming or replacing the tax lien sale continue. Local Law 82 formed a temporary Task Force, primarily comprised of representatives appointed by the City Council Speaker and Mayor. It convened to study other potential reforms to the lien sale and alternative systems of tax enforcement that could promote greater equity, stability, and housing affordability. The Task Force published its [final recommendations](#) in November 2025. Major recommendations include:

- Introducing mechanisms to reduce the number of chronically unresolved liens.
- Improving DOF communication with property owners about their debts.
- Creating a housing preservation track for properties with liens in the Graveyard Trust.
- Exploring third party purchasers for properties heading to foreclosure.

The Task Force also discussed the idea of a land bank, a nonprofit entity that would oversee lien enforcement, acquire property, and encourage productive use for abandoned and vacant properties with liens sold. The Task Force did not reach a consensus on whether to recommend it.

Building off these recommendations and other public discourse, City Council passed five bills in December 2025; then-Mayor Adams vetoed four of the five on December 31. In January 2026, City Council overrode the vetoes and made the bills law. Local Laws 56, 65, and 62 of 2026 create a New York City land bank, enable it to take over lien enforcement and replace the current Tax Lien Trust system starting in 2029, and begin the transfer of existing liens to

## How Do Other Cities Enforce Delinquent Property Taxes?

Among cities with similar high housing costs, there is wide variation in mechanisms and entities tasked with property tax enforcement. Many cities have lien sales that put individual property liens up for public bid, in contrast to New York City’s model of selling bundled liens to a City-created entity, the Trust. Other cities do not hold a lien sale and instead pursue direct foreclosure on delinquent properties after a period of time, bringing the property to auction, and, in some cases, assuming ownership. Proceeds from the sale of the property allow the government to recoup the debt owed. IBO compiled general information on tax enforcement in four large, high-cost cities.

### Chicago

- The [Cook County Annual Tax Sale](#) allows private tax buyers to purchase the property tax related debt of individual properties. Any amount of debt owed is considered delinquent and eligible for the tax sale.
- There are no affordable or deferred payment plans available, and no alternatives to avoid the Annual Tax Sale. Owners over 65 with income under \$75,000 can qualify for a State loan with 3% interest.
- Purchasers of debt can foreclose on properties where the owner does not pay off the debt plus any accrued interest within 2.5 years.
- In December 2025, a federal judge [ruled the system unconstitutional](#) because it did not return equity to owners of foreclosed tax-delinquent properties. Other states, including New York, changed their laws after the 2023 *Tyler v. Hennepin County* Supreme Court case, which established that governments cannot keep more than what is owed in back taxes and must return the difference to the original owner. A similar adjustment may come from the December 2025 ruling on the Cook County Tax Sale.

### Philadelphia

- Unpaid real estate taxes accrue interest and are considered [delinquent after nine months](#), when a lien can be placed on the property.
- The city files a petition in court seeking to sell the property to recover unpaid taxes in the [Sheriff’s tax sale](#).
- Specifically for tax-delinquent rental properties, Philadelphia has a process called [rent sequestration](#), through which a court-appointed party collects rent and manages the property until its debt to the City of Philadelphia is paid off.
- Philadelphia has several other options for [real estate tax relief](#), such as an affordable monthly payment plan.
- Philadelphia also has a [land bank](#), which is separate from the tax enforcement entity. The land bank bids on certain properties identified for redevelopment potential,

typically vacant and underused properties. If the land bank bids, it is guaranteed to acquire the property and no other bids are accepted.

## Boston

- Any [property tax](#) or water bill unpaid for over 30 days accrues interest, with the rate increasing at the end of the fiscal year.
- The City of Boston begins foreclosure proceedings for properties with taxes that remain unpaid for six months. Following foreclosure, the City of Boston becomes the owner of the property.
- If the property owner appears in Land Court upon first notice of foreclosure, they can work out a payment plan for the debt.
- The [City sells properties to developers](#) who “want to make the community better”. Occasionally the City sells foreclosed properties specifically for redevelopment into affordable housing.

## San Francisco

- Properties with [unpaid property tax](#) accrue interest and at the end of the fiscal year are considered “tax-defaulted.” Tax-defaulted properties are transferred to the redemption tax roll and continue to accrue 1.5% per month of the unpaid delinquent tax amount (18% per year) until the balance is paid in full.
- Once in the redemption tax roll, owners have five years to pay off the debt. Owners can enter a payment plan with the City of San Francisco to pay off their debt over five years.
- Any property that remains defaulted after five years becomes subject to the Tax Collector’s “power to sell,” under which the property can be sold at auction or transferred to new ownership.

the land bank, respectively. Under State law, land banks are intended to “facilitate the return of vacant, abandoned, and tax-delinquent properties to productive use.” Creating a land bank requires approval from the New York State Urban Development Corporation, a State economic development financing agency. While the Trust is focused on collecting debt to back its bonds, with foreclosure as a last resort, the land bank would be responsible for debt collection and also would have the goal of converting lien properties to publicly beneficial uses such as affordable housing or community development through foreclosure. Figure 11 outlines the differences between the current Tax Lien Trust model and the new land bank.

It is unclear how the land bank would generate revenue to purchase existing or new liens. Advocates of land banks have argued that a land bank system would improve outcomes compared with the Tax Lien Trust because it would no longer be accountable to bond investors. This implies that the land bank would not use bonding to generate revenue to

**FIGURE 11**

**Tax Lien Trust vs. Land Bank**

	Tax Lien Trust (“Trust”)	Land Bank (as passed by City Council)
Status	Current System through 2028	Created to replace the Trust starting 2029. Passed by Council in January 2026 (via veto override).
Purpose Defined by State Law	“[Accelerate] the Seller’s receipt of payments on account of the Tax Liens... and to maximize the economic return to the [City].”	“[Facilitate] the return of vacant, abandoned, and tax-delinquent properties to productive use.”
Governance	The City owns the Trust; DOF Commissioner oversees which liens are sold to the Trust; the Wilmington Trust Company is the issuer trustee and responsible for accomplishing the purposes of the Trust.	11 board members: 6 appointed by the mayor, 5 appointed by the Council Speaker.
Liens	Purchases liens in the lien sale.	Will purchase liens in the lien sale.
Foreclosure	Authorized to initiate foreclosure on delinquent properties one year after purchase of lien. Highest bidder at public auction purchases property. Proceeds exceeding debt are returned to the original owner.	Authorized to initiate foreclosure on properties one year after purchase in lien sale and become the owner. Land bank board will identify a publicly beneficial use for the foreclosed property, such as affordable housing or public space, and dispose of the property to a new owner. Proceeds exceeding debt are returned to the original owner.
Bonding Power	Issues bonds to generate the capital used to purchase the liens in the lien sale.	Can issue bonds under State Law – unclear if the proposed NYC land bank would issue debt. No other revenue mechanism has been proposed.

SOURCES: New York State’s Not-for-Profit Corporation Law (Article 16); New York City Council Intro. 570B-2025; Department of Finance Amended and Restated Declaration and Agreement of Trust for NYCTL 2025-A trust

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purchase liens from the City. However, it is unclear how the land bank would generate the capital to make the initial purchase of liens in a lien sale if not through bonding, and its revenue source is not discussed in City Council’s enabling legislation. State Not-for-Profit Corporation Law ([Article 16](#)) allows land banks to issue bonds.

Additionally, most properties in the City's lien process are neither abandoned nor vacant, and it is unclear how the land bank would use its foreclosure power on lien properties to enact its goal to convert properties to more publicly beneficial uses. In his veto message, then-Mayor Adams cited the broad discretion that the land bank's board would have to pursue or hold off foreclosure proceedings.<sup>44</sup> Testimony from DOF and DEP at the November 2025 [hearing](#) expressed concerns about the dual and potentially conflicting purposes of the land bank to carry out both tax enforcement and property acquisition. As City Council, the Mamdani administration, and DOF look ahead to the land bank's first potential tax lien sale in 2029, many details will need to be considered to achieve the desired outcomes.

Additional reforms center on improving transparency and communication, drawing on the Task Force's recommendations.

- Local Law 64 of 2026 requires DOF to publish and provide to relevant City agencies an annual report on chronically unresolved liens to increase transparency and awareness of properties in the Graveyard Trust. Despite support for the bill from DOF, then-Mayor Adams vetoed it.
- Local Law 41 of 2026 requires DOF to notify condominium boards when a condo lot in their building is eligible for the lien sale; this was the only bill of the five tax lien bills passed by City Council that was signed by then-Mayor Adams.

The four vetoes were overridden by City Council in January 2026 and the laws are now in effect.

## Conclusion

The tax lien sale remains under discussion as elected officials seek to make housing and tax enforcement in New York City more equitable and the Mamdani administration begins to implement its affordability-focused agenda. Local Law 82 of 2024 began to address outstanding concerns, but despite reforms, the 2025 lien sale showed similar outcomes which were cause for concern in past sales. Some metrics signaled progress but may reflect the four-year pause before the 2025 lien sale rather than the reforms. For example, the share of liens ultimately sold was lower in 2025, but it is unclear whether this is due to the reforms or because more property owners who had stopped paying during the pause in enforcement could easily settle their debts when notified in 2025.

However, many outcomes are unclear or worse in recent years, even before and during the sale's pause, with higher lien balances across all property types and the number of one- to three-family homes sold at auction fluctuating. IBO's analysis highlights the varying implications of the lien sale across the housing stock. Homeowners face interest rates and risk losing their homes through foreclosure, while tenants may deal with poor housing conditions in buildings in physical and financial distress. In both cases, the outcomes remain geographically concentrated and disproportionately impact majority-Black and/or Hispanic neighborhoods.

While reforms can reduce or delay some of these negative outcomes, there are deeper structural issues contributing to racially inequitable results. Underlying the lien sale is a long history of racism in housing, including redlining, discrimination, and predatory lending. New

York City's property tax system has also been criticized as inequitable because it places higher tax burdens on homeowners in lower income areas.<sup>45</sup> The tax lien sale flows directly from the existing system and thus may perpetuate existing inequities. Conversely, reforms to the lien sale are limited in their ability to address the root causes of inequity in housing and property taxes. Addressing affordability and preventing delinquency at the outset could be an important piece of mitigating negative outcomes for homeowners. Property tax reform, which Mayor Mamdani has expressed interest in pursuing, would also influence tax lien sale outcomes.<sup>46</sup>

Although Mayor Mamdani has said there will be no lien sale held in 2026, future lien sales will be accountable to a land bank, rather than the Tax Lien Trust. A land bank aims to return public discretion to decisions on the future of delinquent properties. Its board could set priorities for the use of such properties and administer their sale to responsible parties. The land bank will serve as the new lien enforcement mechanism beginning in 2029, though questions remain about how this model can be used to promote better outcomes.

The dual tasks of tax enforcement and land acquisition assigned to the proposed land bank must be considered: when should the land bank prioritize collections, and when should it prioritize foreclosure? As currently written, the bill gives the land bank board, comprised of mayoral and City Council Speaker appointees, broad discretion to decide when to foreclose and how to dispose of acquired property for publicly beneficial uses. While the land bank adds public accountability to the entity enforcing liens, the process by which enforcement mechanisms are applied is currently undefined.

The City Council could consider defining the circumstances under which foreclosure can be initiated and increase transparency in the decision process of the land bank board. This could avoid unintended outcomes of the model, such as promoting foreclosure on homeowners or perception of uneven enforcement.

For multifamily buildings, the proposed land bank may offer a new path to new ownership for properties that are in poor condition but do not meet the legal definition of "distressed." For legally distressed buildings, TPT was intended to address the cyclical hardship that the tax lien sale may impose by empowering the City to assign responsible new owners. Without an active TPT program, there is a gap in the strategies the City can leverage. However, a reformed TPT is under discussion. Policymakers should consider how the land bank may complement a renewed TPT program and the unique role that each might play.

The pressure of the current housing affordability crisis has increased interest in rethinking how the City enforces delinquent taxes and addresses distressed properties. Moreover, the budget deficit identified by the Mamdani administration in its Preliminary Budget, with a proposal to increase property taxes if the State declines to increase income taxes, is adding pressure to find an equitable process to levy and collect property taxes. While the land bank has potential to promote some housing goals, preventing property owner debt and reducing the number of liens sold will remain difficult to achieve without addressing housing equity and affordability upstream. Going forward, City Council and the Mamdani administration will grapple with these outstanding questions and consider the opportunities and limits of a new enforcement mechanism, a land bank, to promote affordability, housing stability, and equity.

## Glossary

**Department of Environmental Protection (DEP):** New York City agency that administers water and sewer services and collects corresponding bills from property owners.

**Department of Finance (DOF):** New York City agency responsible for the collection of taxes, fines, and fees, including property taxes, and for the administration of the tax lien sale.

**Department of Housing Preservation and Development (HPD):** New York City agency responsible for housing development, preservation, and housing maintenance code enforcement. Administers Third Party Transfer program.

**Distressed Property:** New York City Administrative Code defines a distressed property as a property with a lien-to-value ratio of least 15%, and five or more hazardous housing code violations per unit or \$1,000 outstanding from ERP.

**Easy Exit Program:** a program introduced by Local Law 82 of 2024 reforms which allows homeowners to opt out of the tax lien sale as-of-right up to three times.

**Emergency Repair Program (ERP):** a housing maintenance code enforcement program administered by HPD. When property owners do not correct immediately hazardous violations in a timely manner, HPD may issue a work order and make the repairs, charging the property owner for the work.

**In Rem Foreclosure:** the property tax enforcement system prior to the first lien sale in 1996. Under *in rem*, the City had broad power to foreclose on and take ownership of properties that had taxes at least one year overdue.

**Lien:** a legal claim to collect the tax debt owed by the property owner, and a legal claim to the property if the debt remains unresolved. The City places a lien on a property when taxes or other property-based charges are overdue. Liens enable the City to collect the debt owed, even if the property changes ownership.

**Land Bank:** a nonprofit entity enabled by State law which can hold property and facilitate the return of vacant, abandoned, and tax-delinquent properties to productive use.

**Local Law 37 of 1996:** law that created the tax lien sale and Third Party Transfer.

**Local Law 82 of 2024:** law that reinstated the tax lien sale for 2025 and introduced reforms to the system, including Easy Exit, the Qualified Preservation Purchaser program, and new requirements for HPD to inspect for housing maintenance code violations in multifamily buildings that were eligible for two of the prior four lien sales.

**Multifamily Property:** a property with four or more residential units. In this paper, co-ops are included as multifamily properties; condominiums (whether residential or other use) are not included.

**One- to Three-Family Home:** a property with three or fewer residential units.

**Qualified Preservation Purchaser Program:** a program introduced by Local Law 82 of 2024 reforms which allows a homeowner who has had their lien sold to opt for “voluntary foreclosure” and have their home purchased by a “qualified preservation purchaser,” a housing nonprofit approved by HPD. The purchaser enters an agreement with HPD to lease the property back to the former owner at an affordable rent. Intended by DOF as a last resort.

**Tax Lien Trust:** the third-party entity which purchases tax liens from the City of New York; a legal entity created and owned by the City and overseen by a third-party financial institution (Wilmington Trust Company) to “accelerate the...receipt of payments on account of the Tax Liens...and to maximize the economic return to the [City].”<sup>47</sup> A new Trust is created for each lien sale.

**Third Party Transfer (TPT):** also known as the modified *in rem* program, a tax enforcement program created by Local Law 37 of 1996 wherein the City can foreclose on distressed class 1 and 2 properties and transfer ownership to a nonprofit, which is then responsible for management, maintenance, and rehabilitation of the property.

**1998-2 Trust/Graveyard Trust:** a tax lien trust which oversees chronically unresolved liens and liens unlikely to settle their debt or sell at auction.

## Endnotes

- 1 While the interest rates for late payment of taxes do not change upon sale of the lien, there is a 5% surcharge and an approximately \$300 administrative fee applied upon the sale. See [NYC Property Tax Lien Sale FAQ](#) for more.
- 2 Khurshid, Samar (2022, May 31). [Majority of City Council Declares Opposition to Reauthorizing NYC Tax Lien Sale](#). Gotham Gazette.
- 3 Braun, Martin (2024, March 28). [More New Yorkers Have Stopped Paying Property Taxes](#). Bloomberg.
- 4 New York City Department of Finance. Tax Lien sale – Renewal and Reform: Briefing for NYC Independent Budget Office. Presented to IBO on March 3, 2025.
- 5 [New York City Council Intro. 570](#). The examples provided in the local law include: “including industrial, manufacturing and maritime activities; fresh food stores; public and open spaces; and wildlife conservation areas.”
- 6 DOF offers lien sale exemptions due to contested or unclear ownership, [Property Tax and Interest Deferral](#) agreements, and other factors that are intended to assist property owners.
- 7 IBO uses race and ethnicity data and terminology as reported in the underlying source material, the U.S. Census Bureau’s American Community Survey. For evidence of predatory lending in majority-Black and/or Hispanic areas: Federal Reserve Bank of New York (2010, February). [Subprime Mortgage Lending in New York City](#).
- 8 Mayor’s Management Report FY2025. See [Department of Environmental Protection](#) and [Department of Finance](#).
- 9 Liens allow debt to be collected even if the property changes ownership.
- 10 This includes the Senior Citizen Homeowners’ Exemption, Disabled Homeowners’ Exemption, Veterans Exemption, and School Tax Relief. Tax lien sale exemptions are also available for properties receiving a benefit under Real Property Tax Law 420-a, 420-b, 446, or 462, which includes charitable, nonprofit, and HDFC housing, but these cannot be owner occupied. Additionally, owners who submit a “good faith” application for one of these exemptions cannot have their liens sold.
- 11 Notably, the Easy Exit program does not reduce the property’s debt or stop the accumulation of interest.
- 12 NYC Department of Finance (Accessed 2026, January 9). Amended and Restated Declaration and Agreement of Trust Relating to NYCTL 2025-A Trust, Section 2.05(a). See [Lien Sales Archive](#) page for the most recent Trust documents.
- 13 DOF itself cannot hire debt collectors per the City Charter, and as an agency does not engage directly in debt collection.
- 14 Interest rates on unpaid property tax debt prior to sale of a lien are approved by City Council, pursuant to [Local Law 24 of 2021](#). The interest rate charged depends on property value, ranging from 6% for properties valued up to \$250,000, 9% for properties valued between \$250,000 and \$450,000, and 16% on properties valued over \$450,000. See NYC Department of Finance (Accessed 2026, April 3). [Lien sales & Late payments](#). NYC Department of Finance. See NYC Administrative Code, 11-319, Section 6(b): “The rate of interest on any tax lien certificate shall be the rate adopted for nonpayment of taxes on real property, pursuant to subdivision (e) of section 11-224.1, that is in effect on January first of the year in which the tax lien is sold.”
- 15 See NYC Administrative Code, 11-332, Section b. [Section 32: Rights of purchaser of tax lien](#). “The aggregate amount of each tax lien transferred pursuant to this chapter shall be due and payable one year from the date of the sale.” “At the option of the holder of any tax lien certificate the aggregate amount thereof shall become subject to foreclosure after default in the payment of interest for thirty days or after default for six months after the date of sale stated in the tax lien certificate[.]”
- 16 New York State Division of Homes and Community Renewal. [Help for New York State Homeowners Concerned about Foreclosure](#). (October 2018).
- 17 Per DOF, there are some exceptions to the standard lien foreclosure process. See Administrative Code Sec. 11-335 for more.
- 18 This complies with the recent Supreme Court ruling in the case [Tyler vs. Hennepin County \(2023\)](#), which ruled that municipalities must return excess value (i.e., any value remaining after settling debts) to property owners in the event of government-initiated foreclosure. However, the foreclosure process does not incentivize the State to get the highest price for the property, which may result in a lower-than-market value return, if any at all, for the former owner.
- 19 New York City Department of Finance. Tax Lien sale – Renewal and Reform: Briefing for NYC Independent Budget Office. Presented to IBO on March 3, 2025.
- 20 For legal purposes, the City creates a new Trust for each year of the tax lien sale, resulting in Trusts labeled with different years. Later, those liens are consolidated into one of two trusts: the 1998-2 Trust, for liens that are difficult to resolve, or the most recently created Trust, such as the 2021-A Trust. Liens are consolidated in order to more easily manage the bond portfolio.
- 21 *In rem* foreclosure is where legal action is brought against the property itself, rather than the owner, and is the typical foreclosure strategy for overdue charges on a property (e.g., property taxes, water bills, etc.).
- 22 Schill, M.H. (1999). Housing and Community Development in New York City: Facing the Future, pp 97. SUNY Press. Immediately prior to Local Law 45 of 1976, taxes had to be overdue for three years before *in rem* foreclosure could be initiated.
- 23 Schill, M.H. (1999). Housing and Community Development in New York City: Facing the Future, pp 101-109. SUNY Press.
- 24 Bland, J. (2014). [Property Owners’ Delinquencies for Sale: City’s Annual Lien Sales Trigger Payments From Owners, Often Exceeding Original Amount Owed](#). New York City Independent Budget Office.

- 25 The Rules of the City of New York. Title 28, [Chapter 8: Tax Lien Sales and In Rem Foreclosure Affecting Distressed Properties and Certain Other Properties](#).
- 26 Brand, D. (2025). [NYC seizes negligent landlord's building for first time in 7 years](#). Gothamist.
- 27 In 2021 a task force issued recommendations on a reformed TPT and there is currently a bill in Council seeking to reform it ([Intro 657-2026](#)). The program remains inactive but changes are under discussion between HPD and City Council. In the past, TPT did not return equity to owners after the transfer of a property, which now violates the *Tyler vs. Hennepin County* Supreme Court ruling.
- 28 Brand, D. (December 2025). [Zohran Mamdani wants to take more buildings from bad landlords. How would that work?](#) Gothamist.
- 29 In the 2025 lien sale, out of \$220 million in sold liens, \$165 million were from property tax liens, \$29 million were water and sewer bill liens, and the remaining \$25 million was for other charges. Other than the 2021 sale which excluded water and sewer bill liens, this ratio of approximately 13% of all sold liens being for water and sewer bill liens is relatively consistent with the lien sales from 2016 through 2019, which ranged from 12% to 18%. Notably, the 2015 sale was 26% water and sewer bill liens.
- 30 IBO excludes condominium tax lots from its analyses in order to isolate trends for residential properties in tax classes 1 and 2.
- 31 IBO communications with NYC Department of Finance (2025, June 11).
- 32 Khurshid, Samar (2022, May 31). [Majority of City Council Declares Opposition to Reauthorizing NYC Tax Lien Sale](#). Gotham Gazette.
- 33 [New York City Comptroller's Office \(2012\). The New York City Tax Lien Sale: History and Impact. New York City Comptroller John C. Liu.](#) See also: [Coalition for Affordable Homes \(2014\). Compounding Debt: Race, Affordability, and NYC's Tax Lien Sale. New Yorkers United for Affordable Homeownership.](#)
- 34 Center for Community Progress (2023, October 9). [What is a Tax Lien Sale and Why Is it a Bad Way of Dealing with Vacant Properties?](#)
- 35 NYC Department of Finance (2025). [City Announces Multi-Agency Outreach Initiative to Assist Vulnerable Homeowners in Addressing Property Tax Debt](#). NYC Department of Finance.
- 36 IBO uses race and ethnicity data and terminology as reported in the underlying source material, the U.S. Census Bureau's American Community Survey. The analysis uses 2023 ACS 5-year estimates, and geographic level of analysis is Neighborhood Tabulation Area (NTA).
- 37 Jonathan Schroeder, David Van Riper, Steven Manson, Katherine Knowles, Tracy Kugler, Finn Roberts, and Steven Ruggles. IPUMS National Historical Geographic Information System: Version 20.0. 2020 Census: Tenure by Hispanic or Latino Origin of Householder by Race of Householder. Minneapolis, MN: IPUMS. 2025. <http://doi.org/10.18128/D050.V20.0>.
- The racial makeup of owner-occupied housing is an imperfect proxy for the lien sale's impact on property owners, as owners may not live in the neighborhood or may have different racial patterns than the majority neighborhood composition.
- 38 New York City Bar (January 29, 2021). [Moratorium on Evictions](#). Association of the Bar of the City of New York.
- 39 IBO analysis of NYC Tax Lien Council data, Q4 2025. Prior IBO analysis also points to owners across all property types paying much more than initially owed after having liens sold (see [Delinquencies for Sale, IBO 2014](#)).
- 40 In cases where debt owed is for HPD repair charges (ERP or AEP), DOF states that the lien sale process results in payments for these programs.
- 41 IBO used notices from 2018 through 2021; notices were sent for a lien sale in 2020 even though the lien sale never occurred. IBO did not assess lien-to-value ratios.
- 42 "Hazardous" violations include Class B ("hazardous") and Class C ("immediately hazardous") housing maintenance code violations.
- 43 The Rules of the City of New York. Title 28, [Chapter 8: Tax Lien Sales and In Rem Foreclosure Affecting Distressed Properties and Certain Other Properties](#). "Distressed" is defined as a property with a lien-to-value ratio of at least 15%, and a) has more than 5 hazardous housing maintenance code violations per unit, and/or b) has more than \$1,000 of outstanding charges from HPD's Emergency Repair Program.
- 44 The City of New York, Office of the Mayor (2025, December 31). [Mayor's Veto Message](#): Disapproval of Introductory No. 570-B.
- 45 Zaveri, M. (2024). [Lawsuit Targeting NYC's Property Tax System Can Proceed, Court Says](#). The New York Times.
- 46 Center for New York City Affairs. (2026). [Mamdani Calls the Property Tax System 'Broken.' He's Right. Here's How It Might Be Repaired](#). The New School.
- 47 NYC Department of Finance (Accessed 2026, January 9). Amended and Restated Declaration and Agreement of Trust Relating to NYCTL 2025-A Trust, Section 2.05(a). See [Lien Sales Archive](#) page for the most recent Trust documents.

**IBO's mission** is to enhance understanding of New York City's budget, public policy, and economy through independent analysis.

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