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NEW YORK CITY COMMENCES SUITS TO COLLECT \$100 MILLION FROM FOREIGN GOVERNMENTS IN UNPAID REAL ESTATE TAXES

***SUITS AGAINST TURKEY, THE PHILIPPINES, INDIA AND MONGOLIA SEEK PAYMENT
IN REAL ESTATE TAXES AND INTEREST; SOME OWED SINCE THE MID-1970S***

Mayor Michael R. Bloomberg, joined by Corporation Counsel Michael A. Cardozo, Commissioner of Finance Martha E. Stark and Commissioner of the City's Commission for the United Nations, Consular Corps and Protocol Marjorie B. Tiven, announced today that the City had filed four lawsuits in Manhattan State Supreme Court against four foreign governments which own property in Manhattan and have failed to pay their real estate taxes. The lawsuits are against the governments of Turkey, the Philippines, India and Mongolia and seek payment of real estate taxes, charges, and interest of approximately \$70 million, \$17.7 million, \$16.4 million and \$2.1 million, respectively.

"The vast majority of foreign countries and other foreign entities in the City, like most other responsible property owners, pay their real estate taxes in a timely manner," Mayor Bloomberg said. "Unfortunately, there are a handful of countries that consistently fail to pay these taxes -- some for no reason at all, and some under a mistaken impression that their commercial and other non-exempt activities in the City are not taxable. Although we are proud to be the host city of the United Nations, one thing we simply cannot afford is to be taken advantage of by our guests, especially considering our fiscal condition."

Corporation Counsel Michael A. Cardozo noted, "This problem has been decades in the making. For example, the largest suit involves over \$70 million in taxes, charges and interest accrued by Turkey over the last two-plus decades. Another suit involves property that has been owned by the Philippines since 1973 and which was used on a variety of occasions for such commercial ventures as a bank, an airline office and a restaurant. The Foreign Sovereign Immunities Act and the Vienna Conventions clearly state that property used for such purposes is taxable and that unpaid taxes are subject to statutory interest."

Commissioner Stark stated, "We recognize the sovereign rights of the diplomatic community and grant property tax exemptions when countries use property for government purposes. However, when property is used for commercial purposes and used to provide housing for non-senior staff, sovereign nations must pay their fair share of property taxes. These countries have not -- and given the city's fiscal position, we have a responsibility to aggressively pursue all debt owed New York City. The failure of these countries to acknowledge their obligations has left us with no choice but to seek redress in the courts."

Commissioner Tiven said, "We would have preferred to resolve these issues without litigation. Unfortunately, the U.S. State Department, which worked with us in resolving the City's diplomatic and consular parking problems, has inexplicably declined to assist us to collect the real estate taxes due the City in these cases. We certainly hope the State Department will help us to resolve these problems in the future, but given the present situation, the City must take all necessary steps to preserve its legal rights."

The City's complaints allege that the defendants own real property in Manhattan and have failed to pay the real estate taxes assessed against those properties.

Suits Involving Commercial Activity

The complaint against Turkey notes that country's failure to pay real estate taxes and other charges assessed against its property located at 821 United Nations Plaza from 1980 to the present. The complaint charges that the property was used in part for commercial purposes and as a result is subject to suit under the Foreign Sovereign Immunities Act. According to the complaint, as of February 1, 2003, Turkey owes \$7,892,149.06 in taxes and charges, and \$62,121,547.78 in statutory interest, for a total of \$70,013,696.84

The complaint against the Philippines, which owns a seven-story office building at 556 Fifth Ave., alleges that the country failed to pay real estate taxes and other charges from 1974 to 1996. On varying occasions, the property was used for commercial ventures including the Philippines National Bank, Philippines Airlines and Maharlika restaurant, all of which are subject to tax under international, federal and state and city law. According to the complaint, which separately sets forth each unpaid real estate tax and charge, the Philippines owes, as of Feb. 1, 2003, \$1,106,543.47 in taxes and charges, and \$16,631,072.89 in statutory interest, for a total of \$17,737,616.36. .

Both complaints allege that the foreign governments are subject to suit pursuant to immunity exceptions in the federal Foreign Sovereign Immunities Act, which permit suit against a foreign sovereign in cases where it has engaged in a commercial activity or where the suit involves rights in immovable property.

Suits Involving Mission and/or Consular Staff Housing

The complaint against India, which owns 235 East 43rd St., details that country's year-by-year failure to pay real estate taxes and other charges from 1985 to the present. Because the property in question was used for living quarters for other than the head of the mission or the consular post, it was subject to tax. But according to the complaint, as of February 1, 2003, India had failed to pay \$4,876,542.20 in taxes and charges, and \$11,500,159.89 in statutory interest, for a total of \$16,376,702.09.

The final complaint, against Mongolia, sets forth that country's failure to pay real estate taxes and other charges assessed against its property located at 6 East 77th St. from 1980 to the present. The property in question, like India, was used for housing mission employees other than the head of the mission. According to the complaint, as of February 1, 2003, Mongolia owes \$230,042.27 in taxes and charges, and \$1,838,952.73 in statutory interest, for a total of \$2,068,995.00.

In all four complaints, the City seeks to enforce payment of the tax liens that have attached to the subject properties as a result of the defendant foreign countries' failures to pay their taxes. Specifically, the City seeks a judgment of foreclosure establishing the validity of the tax liens, as well as a judgment against the defendants directing that they pay the amount of taxes, interest and other charges due.

The defendants in the four cases represent the foreign governments and the related persons and entities that are or have been owners of record of the properties since the arrears began accumulating. These defendants are:

- Turkey – The Republic of Turkey.
- Philippines – The Republic of the Philippines and the Consul General of the Republic of the Philippines.
- India – The Permanent Mission of India to the United Nations.
- Mongolia – The Mongolian People's Republic and the Principal Resident Representative to the United Nations of the Mongolian People's Republic

Also named as defendants are other persons and entities that may claim an interest in the properties that are the subject of four suits.

Pursuant to the Vienna Conventions on Diplomatic and Consular Relations, only those portions of property owned by foreign governments that are used exclusively for the purposes of the mission or the consular post, or as the residence of the head of the mission or the consular post, are tax exempt. New York Real Property Tax Law § 418 provides for the same exemption for foreign mission property.

The Foreign Sovereign Immunities Act, which provides the procedural vehicle for actions against foreign governments and agencies and instrumentalities of such governments, allows for jurisdiction against such defendants in cases involving their commercial activities and cases where rights in immovable property (i.e. real estate) are at issue. In addition, the Foreign Sovereign Immunities Act and its legislative history expressly permit the imposition of prejudgment interest, such as the 18 percent annual interest the City is required to impose under State Law against those who fail to pay their real estate taxes and other charges.

- 30 -

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