



NEW YORK CITY LAW DEPARTMENT  
OFFICE OF THE CORPORATION COUNSEL

Michael A. Cardozo, Corporation Counsel

Press Release

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For Immediate Release

**NEW YORK CITY ANNOUNCES SETTLEMENT  
WITH THE REPUBLIC OF TURKEY FOR PAYMENT  
OF \$5.05 MILLION IN REAL ESTATE TAXES AND INTEREST DUE**

***SETTLEMENT FOLLOWS SUIT BROUGHT BY NEW YORK CITY LAW DEPARTMENT LAST APRIL  
AGAINST TURKEY AND THREE OTHER COUNTRIES FOR NON-PAYMENT OF REAL ESTATE TAXES***

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New York, September 30, 2003 – Commissioner of Finance Martha E. Stark, Commissioner Marjorie B. Tiven of the City's Commission for the United Nations, Consular Corps and Protocol, and Corporation Counsel Michael A. Cardozo announced today that the City has reached a settlement with the Republic of Turkey regarding a lawsuit brought by New York City to collect real property tax arrears on Turkey's property located at 821 United Nations Plaza. The settlement terms include an immediate \$4.5 million payment by Turkey, which was made today, and an additional \$550,000 payment by February 15, 2004, for a total of \$5.05 million. The City will discontinue its lawsuit after the second payment is made.

"We are very pleased to announce this settlement with Turkey. The country has stepped forward and acknowledged its real estate debt with New York City," said Commissioner Tiven. "Turkey is a good neighbor, and we are very encouraged by the country's pro-active efforts. We hope that all foreign governments with outstanding real estate tax matters will act as responsibly."

Cardozo noted that while the City had originally sought \$7.89 million from Turkey (plus accrued interest of \$62 million), with Turkey's filing of the necessary real property tax exemption, the City is still receiving "virtually all" the amount – both principal and interest – owed. The settlement also avoids the costs of protracted litigation, a step Cardozo noted he would have pursued aggressively but felt was unnecessary given Turkey's "good-faith" negotiations.

Cardozo said, "We commend the good-faith efforts of Turkey to resolve this disagreement in an amicable way and address the issue going forward. The settlement also avoids protracted litigation that this office would have aggressively pursued but which is not in anyone's interest if both parties are willing to work toward a fair resolution. We are very pleased that Turkey has worked with New York City and, following this suit, paid the real estate taxes it owes on property that was not used for tax-exempt purposes." Commissioner Stark added, "The City is pleased to be receiving virtually all the amount that would have been due on the taxable portions of the building."

The settlement follows suits brought in April 2003 by the New York City Law Department seeking unpaid real estate taxes against four countries: Turkey, the Philippines, India and Mongolia. The Law Department said that the countries owed money either because the missions had been involved in commercial activity or because employees other than the head of the mission or consulate were housed there. The suits against the other three countries will continue.

The original Turkey lawsuit involved efforts by the City to collect real property tax arrears on the property

currently used to house Turkey's mission to the United Nations and its consular offices. Until recently, Turkey had not filed an Application for Exemption with the Department of Finance, which had prevented Finance from determining whether the property was in fact being used for mission and consular purposes. As a result, the property was carried on the City tax records as fully taxable. The City had been aware that Turkey had used an undetermined portion of the property for commercial activity, which, pursuant to domestic and international law, is taxable for foreign governments.

As part of the settlement, Turkey's real estate tax exemption application and supporting documents, along with a recent inspection of the subject parcel, were taken into account. The application and inspection have permitted the City to determine what portion of the property had been used for diplomatic and consular purposes and was therefore tax exempt. The remainder of the property, which had been used for commercial purposes, was not given tax-exempt status. The reduction in taxes stemming from the determination of what part of the property was being used for mission and consular purposes, plus a related reduction in interest, substantially lowered Turkey's real estate tax liability. The inspection confirmed that the property is now being used entirely for mission and consular purposes. Therefore, the property is currently 100 percent exempt.

Cardozo noted that outstanding lawsuits brought against the governments of the Philippines, India and Mongolia are ongoing. "The City will continue its litigations against the three other countries that have not similarly cooperated, and we'll be carefully monitoring the tax status of all foreign governments owning real estate in the City to be sure that any property owner whose property is not being used for tax-exempt purposes is paying the correct amount of taxes. Where necessary, we will bring litigation against other countries that fail to meet their real estate tax obligations."

As the lawsuits with the Philippines, India and Mongolia are still pending, Cardozo could not comment on them in detail. However, he noted: "The City hopes that these countries will follow Turkey's lead and resolve their outstanding tax responsibilities." Finance Commissioner Stark added, "We recognize how valuable the diplomatic community is to New York City, which is why it is important to put these disputes behind us, collect what the City is owed and make sure countries receive the exemptions to which they are entitled."

Senior Counsel Judson K. Vickers of New York City Law Department's Legal Counsel Division and Assistant Corporation Counsel Robert J. Paparella of the Law Department's Tax & Bankruptcy Litigation Division represented the City in the negotiations. David Saltzman of Saltzman & Evinch, based in Washington, D.C., represented the Republic of Turkey.

The New York City Law Department is one of the oldest, largest and most dynamic law offices in the world, ranking among the top three largest law offices in New York City and the top three largest public law offices in the country. Tracing its roots back to the 1600's, the Department's 650-plus lawyers handle more than 90,000 cases and transactions each year in 17 separate legal divisions. The Corporation Counsel heads the Law Department and acts as legal counsel for the Mayor, elected officials, the City and all its agencies. The Department's attorneys represent the City on a vast array of civil litigation, legislative and legal issues and in the criminal prosecution of juveniles. Its web site can be accessed through the City government home page at [www.nyc.gov](http://www.nyc.gov) or via direct link at [www.nyc.gov/html/law/home.html](http://www.nyc.gov/html/law/home.html).

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