

**CITY OF NEW ROCHELLE
NEW YORK**

To: Honorable Mayor & Members of City Council

Thru: Charles B. Strome, City Manager

From: Howard Rattner, Finance Commissioner

Subj: *Cancellation of Taxes / Republic of Cameroun
50 Montgomery Circle / Block 1018 Lots 37 and 41*

Date: April 23, 2012

Background

The above referenced parcels were acquired by the Republic of Cameroun in 1968 and were used as the residence of its ambassador to the United Nations. As such, the properties were entitled to and received exemptions for all property taxes except Westchester County Sewer District taxes pursuant to Sections 418 and 490 of the New York State Real Property Tax Law (RPTL).

In the late 1990's, it was determined that the property had been vacated and was in serious disrepair, incurring numerous building code violations and allegations of criminal activity. Since Section 418 of the RPTL conditions the exemption upon occupancy by the ambassador, the exemption was removed in 1999 and the property reverted to full taxable status. Subsequent discussions with Cameroun representatives facilitated by the Department of State revealed Cameroun's intent to renovate the properties and reoccupy the premises upon completion of renovations.

Repairs commenced in 2002 but by 2005 inspections determined that the property had not yet been reoccupied. No taxes were paid. Meanwhile, in 2005, the federal court reversed its prior position and assumed jurisdiction for two cases initiated by New York City to recover back taxes from foreign governments who no longer enjoyed diplomatic exemptions. Based on that ruling, New Rochelle followed the lead of New York City and commenced legal action against both Cameroun and Liberia to recover outstanding taxes dating back to 1999 [Liberia settled its outstanding balance in 2008 – reference Council Resolution No. 158].

Although New York City received favorable judgments in lower court rulings, the U.S. Circuit Court of Appeals in 2010 ruled that foreign governments do not have to pay taxes on properties they own in the United States. Last year, the U.S. Supreme Court denied New York City's appeal of this ruling. Based on that denial, the U.S. District Court dismissed New Rochelle's case against Cameroun.

Several inspections of the property and communications with Cameroun's mission office in New York City could not definitively determine when the property was reoccupied by the ambassador. Finally, in 2010, the Assessor's office determined that the property was occupied by the ambassador and the exemption was reinstated on the 2010 roll. A certified statement from the Ambassador stated that he reoccupied the residence in 2006.

Issue

Over the years, Cameroun has steadfastly refused to acknowledge the removal of the property tax exemption and did not remit any tax payments. Consequently, sizeable outstanding tax receivables for the period 1999 through 2009 have accrued on the records of the City and School District.

Recommendation

Based on the U.S. District Court dismissal of our case against Cameroun, any legal recovery of outstanding taxes has effectively been eliminated. Therefore, we have no choice but to recommend that the City Council adopt a resolution cancelling the outstanding taxes shown on the attached schedule, thereby removing these amounts from the tax receivable records of the City.

HR/bf
Attach.

cc: Kathleen Gill