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MICHAEL A. CARDOZO
Corporation Counsel

THE CITY OF NEW YORK
LAW DEPARTMENT

100 CHURCH STREET
NEW YORK, N.Y. 10007-2601

March 28, 2008

The Honorable Condoleezza Rice
Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, D.C. 20520

Re: Property taxes owed to the City of New York

Dear Madam Secretary:

I write, on behalf of the City of New York, pursuant to Section 643 of Pub. L. No. 110-161, the Consolidated Appropriations Act of 2008 ("The Act"), to advise you that an Order and Final Judgment, dated March 17, 2008, has been entered by the United States District Court for the Southern District of New York against the countries of India, Mongolia and the Philippines. A copy of the Order & Judgment is enclosed herewith.

The Order & Judgment requires the payment to the City, in the amounts listed below, of unpaid property taxes and interest relating to the countries' use of properties located in New York City for purposes that the U.S. courts have determined to be non-exempt under international treaties:

- (a) against India in the amount of \$42,451,769.35;
- (b) against Mongolia in the amount of \$4,395,003.13; and
- (c) against the Philippines in the amount of \$10,902,895.81.

All of the countries covered by the Order & Judgment receive foreign assistance from the United States government. Pursuant to The Act, the judgment, which totals approximately \$58 million, imposes certain withholding of foreign aid obligations on the Secretary of State. Specifically, an "amount equal to 110 percent of the total amount of the...unpaid property taxes owed by the central government of such country shall be withheld from obligation for assistance for the central government of such country until the Secretary of

State submits a certification to the Committee on Appropriations stating that such...unpaid property taxes are fully paid." The Act, § 543(a). The City respectfully requests that the City be informed as soon as the withholding of such assistance with respect to each of these countries has occurred. The City anticipates that such withholding will lead India, Mongolia and the Philippines to quickly honor the judgment of the U.S. courts by paying the amounts due to the City. As you undoubtedly know, the taxes reflected by these judgments have been outstanding for as many as thirty-four years.

As I am sure you can appreciate, the City is in the midst of a severe economic downturn that has required the City to significantly reduce its budget, curtailing vital social services, as well as reducing its education budget. During these difficult economic times, it is particularly imperative that property taxes owed from all property owners, including foreign countries that use property for non-exempt purposes, and who enjoy the benefits of City services including police protection, water services, and the like, are paid to the City.

I also call your attention to the fact that The Act provides that funds for foreign assistance that are withheld may be "made available for other programs or activities funded" by The Act. The Act, § 643(b)(a). Programs or activities funded by The Act include the protection of foreign missions and officials that is provided by the New York City Police Department. Pursuant to a 1993 agreement between the State Department and the NYPD, the NYPD is to be reimbursed for the costs of providing such protection.

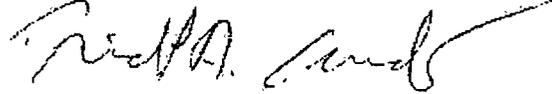
As I have previously advised your Office by letter dated March 16, 2006 (enclosed herewith), the State Department owes the City for expenses incurred in accordance with the agreement referenced above. Indeed, the State Department responded to my March 16, 2006 communication with a letter (also enclosed) that acknowledged that the State Department owed the City nearly \$20 million at that time. The letter stated that the City's claims had been "certified" as meeting program requirements but that Congressional funding levels left the State Department unable to provide full reimbursement. The arrears continue through today, and the State Department presently owes the City more than \$40 million for expenses relating to the protection of foreign missions and officials. The use of withheld funds to reimburse these expenses is authorized by The Act and we accordingly request that the withheld funds be used to satisfy these arrears. To be sure, the countries' liability to the City for taxes, as provided in the Order & Judgment, will remain outstanding even after the withheld funds are used by the State Department to reimburse the City for such expenses.

In light of the above, any waiver by the State Department of the withholding obligations would be especially inequitable and damaging to the City. A waiver would also jeopardize the City's continued receipt of property taxes from countries that presently recognize their obligations and who pay their taxes, while at the same time sending a message to other countries that owe taxes that they are free to flout international and domestic laws.

The City is proud to host the United Nations and the many diplomatic missions and consulates located in the City. However, the City's taxpayers should not be made to shoulder the burdens associated with property owners who defy their tax obligations. The ruling of the U.S. courts should be respected and reinforced by the U.S. government's withholding of foreign assistance in accordance with the terms of U.S. law.

Thank you for your prompt consideration of this matter.

Respectfully submitted,



Michael A. Cardozo
Corporation Counsel

cc: Michael R. Bloomberg
Mayor, The City of New York

The Honorable Patrick J. Leahy
Chairman, Senate Appropriations Subcommittee on
State, Foreign Operations, and Related Programs

The Honorable Judd Gregg
Ranking Member, Senate Appropriations Subcommittee on
State, Foreign Operations, and Related Programs

The Honorable Charles E. Schumer

The Honorable Hillary Rodham Clinton

The Honorable Nita M. Lowey
Chairwoman, House Appropriations Subcommittee on
State, Foreign Operations, and Related Programs

The Honorable Frank R. Wolf
Ranking Member, House Appropriations Subcommittee on
State, Foreign Operations, and Related Programs

The Honorable Charles B. Rangel
The Honorable James T. Walsh
The Honorable Gary L. Ackerman
The Honorable Michael Arcuri
The Honorable Timothy H. Bishop
The Honorable Yvette Clarke
The Honorable Joseph Crowley
The Honorable Eliot L. Engel
The Honorable Vito J. Fossella
The Honorable Kirsten Gillibrand
The Honorable John Hall
The Honorable Brian Higgins
The Honorable Maurice D. Hinchey
The Honorable Steve Israel
The Honorable Peter King
The Honorable Randy Kuhl

The Honorable Carolyn B. Maloney
The Honorable Carolyn McCarthy
The Honorable John McHugh
The Honorable Michael R. McNulty
The Honorable Gregory W. Meeks
The Honorable Jerrold Nadler
The Honorable Thomas Reynolds
The Honorable Jose E. Serrano
The Honorable Louise M. Slaughter
The Honorable Edolphus Towns
The Honorable Nydia M. Velazquez
The Honorable Anthony D. Weiner

The Honorable Marjorie B. Tiven
Commissioner, New York City Commission for the
United Nations, Consular Corps, and Protocol

Enclosures



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LAW DEPARTMENT
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March 16, 2006

The Honorable Condoleezza Rice
Secretary
U.S. Department of State
2201 C Street, N.W.
Washington, D.C. 20520

Re: Reimbursement to New York City for expenses incurred in protection
of foreign missions and officials

Dear Secretary Rice,

I write on behalf of New York City to request that the Department of State immediately reimburse the City for \$19,584,097. This is the amount of the outstanding balance of expenses incurred in FY 2002-FY 2004 for the City's protection of foreign missions and officials, invoiced and approved by the State Department.

While we also must be reimbursed in full for our FY 2005 expenses, including the September 2005 meeting of the General Assembly, the billing process for these latter expenses has not yet been completed. We believe that to reimburse New York City for the expenses that it has already incurred and that we expect to incur through the end of FY 2007, that is, through the end of the budget now being considered by the Congress, will require \$75 million.

Although the protection of foreign missions and officials is a federal responsibility, the State Department has entered into a cooperative agreement with the City of New York to provide extraordinary security for special events such as the United Nations General Assembly and Special Sessions, protest demonstrations against member nation missions and for dignitary protection attendant to such events. Under this agreement, security for the United Nations is provided by the New York City Police Department (NYPD) and the City is to be reimbursed by the State Department for these expenses.

As a result of security precautions taken in the wake of September 11th, the foiled attempt to attack the United Nations, and New York's status as a prime terrorist target with many consulates, diplomatic missions and international events, the City's expenditures for providing

diplomatic security have increased. As you may be aware, a detailed accounting of all of NYPD's expenses is regularly forwarded to Special Agent Bernard Johnson. Mr. Johnson reviews all expenses and recommends to the State Department the amount the City should be reimbursed. The City of New York only invoices the State Department for the expenses that have been recommended for reimbursement. Despite the fact that all the expenses invoiced to the State Department have been approved for reimbursement, the City of New York has not been fully reimbursed. The amount of arrears for FY 2002 through FY 2004 totals \$19,584,097. A more detailed accounting of these expense has been forwarded to Special Agent Bernard Johnson in your New York Office. Copies of these invoices are available upon request.

At this time, we respectfully request that the City of New York be reimbursed for the arrears in the amount of \$19,584,097 for FY 2002 -- FY 2004. Please advise as to when we may expect to receive this payment.

Should you have any questions, please do not hesitate to call me.

Respectfully,



Michael A. Cardozo
Corporation Counsel

cc: Richard J. Griffin
Assistant Secretary of Diplomatic Security

Diane Taylor,
Grant's Officer

Johnny Guy
Chief, Protective Liaison, Diplomatic Security Service

Bernard Johnson,
Special Agent



United States Department of State

*Assistant Secretary for Resource Management
and Chief Financial Officer*

Washington, D.C. 20520

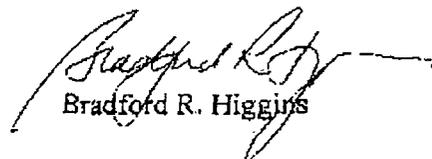
MAY 10 2006

Dear Mr. Cardozo:

On behalf of the Secretary of State, I am responding to your letter of March 16 which requests that the Department of State reimburse the City of New York for expenses incurred in Fiscal Years 2002 through 2004 for the City's Protection of Foreign Missions and Officials in the amount of \$19,584,097. While these claims have been certified as meeting the program requirements, current Congressional authorization and funding levels are unable to provide full reimbursement.

In Fiscal Year 2004, the Department received \$32 million in Congressional supplemental funding for the Protection of Foreign Missions and Officials, partially funding the City of New York arrears to that point. The appropriation for Fiscal Year 2005 included \$7,810,000 for the City of New York, and the President's budget request for Fiscal Year 2006 includes \$7,509,000. The Department of State is currently working to develop a budget for Fiscal Year 2008 that responds to Transformational Diplomacy requirements, with security as a critical priority.

Sincerely,



Bradford R. Higgins

Michael A. Cardozo,
Corporation Counsel, New York City
Law Department
New York, NY 10007-2601.

WITHHOLDING OF ASSISTANCE FOR PARKING FINES AND REAL
PROPERTY TAXES OWED BY FOREIGN COUNTRIES

SEC. 643. (a) Subject to subsection (c), of the funds appropriated under titles II through V by this Act that are made available for assistance for a foreign country, an amount equal to 110 percent of the total amount of the unpaid fully adjudicated parking fines and penalties and unpaid property taxes owed by the central government of such country shall be withheld from obligation for assistance for the central government of such country until the Secretary of State submits a certification to the Committees on Appropriations stating that such parking fines and penalties and unpaid property taxes are fully paid.

(b) Funds withheld from obligation pursuant to subsection (a) may be made available for other programs or activities funded by this Act, after consultation with and subject to the regular notification procedures of the Committees on Appropriations, provided that no such funds shall be made available for assistance for the central government of a foreign country that has not paid the total amount of the fully adjudicated parking fines and penalties and unpaid property taxes owed by such country.

(c) Subsection (a) shall not include amounts that have been withheld under any other provision of law.

(d)(1) The Secretary of State may waive the requirements set forth in subsection (a) with respect to parking fines and penalties no sooner than 60 days from the date of enactment of this Act, or at any time with respect to a particular country, if the Secretary determines that it is in the national interests of the United States to do so.

(2) The Secretary of State may waive the requirements set forth in subsection (a) with respect to the unpaid property taxes if the Secretary of State determines that it is in the national interests of the United States to do so.

(e) Not later than 6 months after the initial exercise of the waiver authority in subsection (d), the Secretary of State, after consultations with the City of New York, shall submit a report to the Committees on Appropriations describing a strategy, including a timetable and steps currently being taken, to collect the parking fines and penalties and unpaid property taxes and interest owed by nations receiving foreign assistance under this Act.

(f) In this section:

(1) The term "fully adjudicated" includes circumstances in which the person to whom the vehicle is registered—

(A)(i) has not responded to the parking violation summons; or (ii) has not followed the appropriate adjudication procedure to challenge the summons; and (B) the period of time for payment of or challenge to the summons has lapsed.

(2) The term "parking fines and penalties" means parking fines and penalties (A) owed to— (i) the District of Columbia; or (ii) New York, New York; and (B) incurred during the period April 1, 1997, through September 30, 2007.

(3) The term "unpaid property taxes" means the amount of unpaid taxes and interest determined to be owed by a foreign country on real property in the District of Columbia or New York, New York in a court order or judgment entered against such country by a court of the United States or any State or subdivision thereof.
