

Preserving At-Risk Affordable Home Ownership: HDFC Coops and Our Community

Follow Up to Manhattan Borough Board Meeting

July 21st, 2016

Breakdown of Responsibilities: Monitor vs. Manager

- Manager's job is to help the coop operate effectively and efficiently
- Monitor's job is to safeguard the sustainability and affordability of the building and to see that the building is adhering to Regulatory provisions

Monitor	Manager
<ul style="list-style-type: none">• Evaluates and approves every sale of shares, lease, and sublet• Issues Stock Certificates• Oversees and certifies annual elections• Determines whether or not to impose a prohibited events fee, and will provide notice to noncompliant shareholder• Approves, modifies, or rejects the training plan for the HDFC• Approves reserve account withdrawals	<ul style="list-style-type: none">• Collects rent and maintenance• Maintains current insurance policy• Monitors and reviews the Books and Records• Approves leases for any non-residential space• Collects from a noncompliant shareholder a prohibited events fee

Maximum Sales Prices at 110% AMI

0 Bedroom (Studio)	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
\$286,296	\$347,636	\$412,022	\$476,712	\$539,880	\$601,830

- Resale prices set affordable to a maximum of 110% of AMI
- If a Board votes to adopt a lower resale price cap to maintain deeper affordability, HPD will design a customized schedule of sales
- Resale prices will be indexed annually

Option to Carve-Out of Resale Prices

- In buildings where there have been high-priced sales, a portion of shareholders may opt to have their unit “carved out” of the resale price restriction and asset cap for prospective buyers of their unit
- The purpose of this provision is two-fold:
 - To ensure shareholders who bought in at a high-price are not unfairly penalized at the time they wish to sell
 - To encourage these shareholders to not work to block the rest of the building from signing the Regulatory Agreement
- No more than 1/3 of units in a building may be carved out
- Purchasing shareholders of carve-out units would still have to have incomes at or below 165% of AMI as the HDFC Coop is still subject to the statutes in Article XI of the Private Finance Housing Law

HPD's Proposed Tax Exemption

- HPD will be discussing with the City Council a tax exemption proposal:
 - Would be more generous than the current tax exemption (DAMP cap which expires in 2029)
 - A deeper exemption to account for added requirements in the Regulatory Agreement
 - Every eligible HDFC Coop that signs the Regulatory Agreement— even those with high Assessed Values— would receive a tax benefit
 - The lowest value coops, which experience high rates of financial distress, would pay no property taxes on the residential part of their building, and could use the savings to pay down delinquent tax bills or making building improvements