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CITY OF NEW YORK

MANHATTAN COMMUNITY BOARD FOUR

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December 18, 2017

Anne-Marie Hendrickson
Deputy Commissioner for Asset and Property Management
Department of Housing Development and Preservation
100 Gold Street
New York, NY 10038

**Re: Foreclosure of HDFC Co-ops
Presentation by the HDFC Coalition**

Dear Commissioner Hendrickson:

On November 16, 2017, Manhattan Community Board 4's (MCB4) Housing, Health, and Human Services Committee received a presentation from the citywide HDFC Committee ("HDFC Committee") regarding the foreclosure of HDFC co-ops.

At its meeting on December 6, 2017 meeting, MCB4, by vote of 45 in favor, 0 opposed, 1 abstaining¹, and 0 present but not eligible to vote, voted to request that HPD declare a city-wide moratorium on the foreclosure of HDFC co-ops. The Board also requests that a working group comprised of the Department of Finance (DOF), the Department of Environmental Protection, the Water Board, and HPD be established to help resolve the financial issues of those HDFC co-ops that are in financial distress.

Background

MCB4 first became aware of the pending foreclosures of HDFC co-ops in October 2017, when it learned that 314-16-18 West 36th Street, one of many HDFC co-ops in MCB4, was on the City's foreclosure list. The buildings were taken *in rem* by the City in 1978, renovated in the late 1980s through the Clinton Preservation Fund and became an HDFC cooperative in 1992.

Buildings like 314-16-18 West 36th Street provide affordable homeownership, allowing a variety of individuals and families the opportunity to be long-term residents in the community. To resolve the pending real estate tax foreclosure, the HDFC entered into a payment agreement with the Department of Finance and was subsequently removed from the City's foreclosure list.

¹ Joe Restuccia, a member of MCB4 who is Co-Chair of the Housing Health and Human Services Committee, is Director of the Clinton Housing Development Company. Mr. Restuccia recused himself from voting.

However, city-wide, 87 HDFC co-ops are at risk of being foreclosed due to real estate tax and/or water and sewer arrears. The majority of the buildings are located in Harlem, Bedford Stuyvesant, the South Bronx, Bushwick, and Washington Heights. The need to arrive at a solution for these properties is therefore urgent and requires multi-agency cooperation.

60-40 Agreements

The Board would also like to note that approximately 35% of the HDFC co-ops have a 60-40 agreement and that 50% of the HDFC co-ops at risk of foreclosure have a 60-40 Agreement with the City of New York. Under this agreement, every time shares in the co-op are sold, 40% of the proceeds from the sale must be paid to the City of New York. Many HDFC co-ops who do not have such an agreement with the City of New York institute a co-op flip tax, which allows a pre-determined portion of the proceeds to go to the HDFC co-op's reserves fund. To help maintain HDFC fiscal health, any flip taxes, such as the 60/40 provision, must go to HDFC co-ops, not the City of New York. The 60/40 provision must be repealed.

Conclusion

MCB4 requests that HPD not proceed with foreclosures against any HDFCs. MCB4 would like to work with HPD to stabilize any buildings that are in fiscal trouble to ensure their long-term financial health while preserving the long-term affordability of these cooperative units.

Sincerely,



Delores Rubin
MCB4 Chair

[signed 12/18/17]
Barbara Davis, Co-Chair
Housing, Health &
Human Services Committee

cc: HDFC Coalition
Hell's Kitchen/Chelsea HDFC Committee