

You are we and we are you! Fighting for HDFCs!

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- BULLETIN -**Push for new (voluntary?!?)regulatory agreement, price caps**

[HDFC Coalition](#) members have recently attended and made our voices heard at the first three public meetings of the “[Task Force on HDFCs](#)” in Harlem, Lower East Side and Downtown Brooklyn. The members of the “Task Force” include housing organizations, law firms, and representatives of some elected officials. The HDFC Coalition is not a member of the Task Force.

What has become clear is that the Task Force (which is not led by shareholders of HDFCs) has been negotiating with the NYC Department of Housing, Preservation and Development (HPD) on a major legislative proposal focused on HDFCs. The effort seems to stem from



HDFC Task Force presentation at Brooklyn Law School on May 24, 2016.

recent news articles about a very small number of high-price sales of HDFC apt. shares, the Task Force’s years-long fight for to cap apt. share prices as low as possible, the expiration in 2029 of the HDFC discounted real estate tax rate (DAMP), and Mayor de Blasio’s goal to create and/or preserve 200,000 units of affordable housing, making the 30,000 HDFC apartments an attractive target for “preservation of affordability.” The City’s proposal has not yet been publicly released, but the Task Force has described features of it in their presentation.

Since the overwhelming majority of HDFC residents stay put and rarely sell, the logical way to preserve affordability would be to help keep the resident’s monthly maintenance (rent) low, not mandatory price caps on sales. Simply extending the DAMP real estate tax discount past year 2029, and increasing the discount, would help HDFCs maintain affordability for residents (and restore confidence to banks, so they feel safer making loans for apartment shares, as well as building repairs). HPD’s proposal supposedly calls for deeper discounts on taxes, while the Task Force wants real estate taxes fully eliminated for HDFCs. But there’s a catch: A requirement to sign a new regulatory agreement.

Price caps/sale restrictions could cause HDFCs to fail, and a conservative estimated average loss of \$150,000 of equity X 30,000 apts = a loss of \$4.5 billion to HDFC shareholders City-wide. Funds from selling vacant apts./collecting flip taxes on sales have saved buildings from foreclosure, funded repairs, paid bills, increased reserves and kept monthly maintenance affordable. HDFCs must keep maintenance low, to be affordable to their residents, and they often need funds from sales/flip taxes to address capital improvements that were not budget by the City. For HDFCs in distress where one sale can mean survival, a cash sale is typically the only option as banks won’t loan.

What the HDFC Coalition finds most disturbing is that both the Task Force and HPD want HDFCs to ignore 40 years of relatively stable HDFC rules, sign a new “voluntary” regulatory agreement that includes new caps on apt. sale prices and lower income requirements for buyers, forced monitoring/management paid for by HDFCs, in order to receive the DAMP tax discount we already receive. That is, it seems that any HDFC that does not sign a new regulatory agreement would be faced with paying full real estate taxes, and possibly much sooner than 2029, as HPD may want to end the discount early to “encourage,” if not coerce, buildings to sign. Many if not most HDFCs cannot afford full real estate taxes, and if the monthly maintenance was raised to pay the full tax many residents would be unable to afford the increase, which would drive the HDFC into financial distress.

Stating that HDFCs are crucial affordable housing that must be preserved, while threatening to slap on full real estate taxes that would clearly destabilize HDFCs, is as wrong as it is nonsensical. Moreover, we see no plan for the preservation of financially distressed HDFCs. The threat of applying full taxes combined with the absence of any program to preserve distressed affordable co-ops seems designed to coerce HDFC shareholders to give up control of their buildings. The very buildings that were so often sold to residents in astonishing states of disrepair, that the shareholders improved themselves through years of struggle despite overwhelming obstacles. This after the City dangled the prospect of home ownership, the American Dream, to induce citizens to endeavor to cooperatively house themselves.

The proposals are in some ways punitive, paternalistic and perhaps a reaction to recent news reports of a very few, very unusual sales that create the false impression that affordable HDFC apartments are disappearing. In 2011-2015, 32% of HDFC apts. sales were for less than \$100,000 & 75% sold for less than \$326,000, with a median price of \$270,000 vs. free-market \$760,000 (NYC) and \$1,209,500 (Manhattan). HDFC apts. are more often sold below maximum allowable prices when determined by income only: \$326K for 120% AMI or \$503K for 165% AMI (Area Median Income). Again, HDFC shareholders are overwhelmingly staying where they are, not selling, the housing is affordable, and families strongly wish to maintain the equity they have earned, which while significant is not comparable to market rate prices.

HDFCs need flexibility and more options, not less, to survive as they are already highly restricted. HDFCs wishing to set price caps can do so now without a regulatory agreement. HPD should develop a program to help HDFCs rather than essentially mandate a restrictive new regulatory agreement.

YES

- Keep 40 yr. existing HDFC rules
- Extend DAMP R.E .Tax Rate
- Protect shareholder equity
- Keep apt. share sales possible
- Self-determination for HDFCs
- Support HDFCs
- HDFC is a home-buyer program
- Most HDFCs are doing well
- Value the VOTERS in HDFCs

NO

- No new regulatory agreement
- Kill DAMP + require agreement
- Don't steal \$4.5 Billion+ from us
- More rules = can't sell apartments
- Don't disrespect HDFCs
- Don't destabilize HDFCs
- Don't destroy property rights
- Don't hurt ALL HDFCs
- Don't forget we helped save NYC

THE HDFC COALITION

The voice of HDFC Shareholders since 1992!

MYTHS VS. FACTS

➤ **MYTH** *Apt. sale prices are the biggest problem HDFCs now face.* **FACT** HDFCs in distress may have tax arrears, need major repairs, have legal issues, etc. but rarely suffer from having money in the bank! ➤ **MYTH** *Most HDFCs are in financial distress.* **FACT** 70% are not in debt. ➤ **MYTH** *HDFC apts. are being sold at very high prices.* **FACT** A few unusually high sales have created a false perception that affordable HDFC apartments are disappearing. In 2011-2015, 32% of HDFC apts. sold at less than \$100,000 & 75% sold for less than \$326,000, with a median price of \$270,000 vs. free-market \$760,000 (NYC) and \$1,209,500 (Manhattan). ➤ **MYTH** *HDFC apts. are being sold for as much money as possible* **FACT** HDFC apts. are more often sold below maximum allowable prices: \$326K for 120% AMI or \$503K for 165% AMI. ➤ **MYTH** *HDFC AMI % levels are higher than other programs.* **FACT** Many affordable housing programs in NYC use the same AMI rates. ➤ **MYTH** *People got their apts. for almost nothing!* **FACT** Decades ago residents were often sold “as-is” buildings that were falling apart: Leaky roofs, Broken boilers/windows/locks, falling plaster, lead paint, non-working elevators. Shareholders invested blood, sweat and tears (and still do today) by fixing buildings & renovating apartments because they were proud homeowners! ➤ **MYTH** *HDFCs aren't helped by apt. sales, because the buildings don't need money.* **FACT** Funds from selling vacant apts./collecting flip taxes on sales have saved buildings from foreclosure, funded repairs, paid bills, increased reserves, kept monthly maintenance low. ➤ **MYTH** *Price caps won't hurt HDFCs.* **FACT** HDFCs must keep maintenance low, to be affordable to their residents, so they often need funds from sales/flip taxes to maintain their building, and price caps could cause more buildings to fail. ➤ **MYTH** *HDFC apartments are easy to sell.* **FACT** Loans are harder to get, sometimes only cash sales possible. ➤ **MYTH** *HDFC buildings are all the same, so they don't need different options.* **FACT** HDFCs are different: major repairs needed vs. renovated, large buildings vs. small, commercial spaces vs. none, regulatory agreement vs. none, mortgage payment vs. none, partial tax exemption vs. full, poorly run vs. well-run, vacancies vs. none. Over-regulation, less options will increase HDFC failures. ➤ **MYTH** *HDFCs can afford full real estate taxes.* **FACT** Many HDFCs would be pushed into financial distress by losing the reduced DAMP tax rate, and also need flip-tax fees and apartment sales to avert failure. ➤ **MYTH** *The City has lost money on HDFCs.* **FACT** HDFC shareholders have rebuilt buildings, improved neighborhoods and schools, reduced crime, and the City's investment in housing has “delivered a tax benefit to the city that exceeded the cost of the city's subsidies.” ➤ **MYTH** *HDFCs need a regulatory agreement to create price caps.* **FACT** Individual HDFCs can set price caps. ➤ **MYTH** *HDFCs want to be told what to do.* **FACT** Our rights, dignity and self-determination as good citizens and property owners must be respected. ➤ **MYTH** *Enforcing a \$100K price cap won't hurt shareholders.* **FACT** A conservative estimated average loss of \$150,000 of equity X 30,000 apts = a loss of \$4.5 billion to HDFC shareholders City-wide. ➤ **MYTH** *HDFC boards don't want to follow the regulations on affordable sales.* **FACT** Many boards abide by the current affordability rules when approving sales. ➤ **MYTH** *The City created public housing with the HDFC program.* **FACT** HDFC shareholders are owners of private property, and were asked to take responsibility for owning and managing their buildings.

THE HDFC COALITION

HDFC shareholders working together to preserve HDFC housing in New York City

The voice of HDFC Shareholders since 1992!

Mission- Are you an HDFC shareholder? The HDFC Coalition is here to help make YOUR voice heard. You are we and we are you! We meet as members to define our issues and positions, and we advocate City-wide for the preservation and improvement of HDFC cooperatives and the well-being of HDFC shareholders, boards of directors, and the wider HDFC community. Join us today! Send us your full contact information to hdfccoalition@gmail.com **History-** The HDFC Coalition began in 1992 as an effort to advocate for improvements in the policies of the City of New York towards HDFC cooperatives. In early 2016, we decided to become more active in response to recent efforts to modify existing regulations pertaining to HDFC buildings.

The HDFC Coalition is not the HDFC Task Force. We are an independent organization begun in 1992 whose members are actual HDFC shareholders and board members. Together we are powerful and we get it done!

- Any proposed changes are not “optional” unless the current HDFC regulations are also preserved, which neither the HDFC Task Force nor HPD seems to currently support. HDFCs need more choices, not fewer.
- Many beneficial current HDFC rules are sometimes ignored or not enforced.
- Price caps should be optional and at the discretion of individual HDFCs.
- HDFC shareholders have invested blood, sweat and tears over decades to improve their buildings, blocks, neighborhoods and schools, thereby increasing the City’s tax base.
- HDFC shareholders have earned their equity, paid for it, or both.
- Well-run, self-managed HDFCs should not be forced to pay for monitoring or outside managing agents.
- Many HDFCs have saved their buildings, kept maintenance low and increased reserves through apartment sales and in-house flip taxes.

The HDFC Coalition is hosting meetings for HDFC shareholders to be informed as to recent efforts by the City and other groups to very substantially change the regulations currently affecting HDFCs. We will also be organizing ourselves to meet the challenge of ensuring that any proposed legislation is truly optional, truly benefits HDFCs and does not destroy the current regulatory environment upon which many HDFCs depend for their survival. We will discuss the issues and create clear positions that we will move forward in upcoming discussions with our political representatives. Join us! Together, we can, and we will! **Send us your contact information below so we can keep you informed, and invite you to our next meeting!**

Organize yourselves NOW! The City Council is expected to vote on legislation *this summer!*

Protect your HDFC! Now is the time! Join us today!

hdfccoalition@gmail.com • www.hdfccoalition.org • Twitter @HDFCCoalition

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Manhattan Community Board No. 9

West Harlem • Hamilton Heights • Manhattanville • Morningside Heights



Sábado 11 de junio, 10am-4pm
3333 Broadway (at 135th St.)

Este foro tratará temas de cooperativas de vivienda HDFC, sus accionistas y juntas directivas para formar lazos más fuertes y proteger nuestras viviendas.

METAS

Información precisa
Oportunidad de relacionarse con otros edificios
Avanzar hacia una agenda política

Fácil registración en Eventbrite: Clave: HDFC Forum
<http://mcb9-hdfc-forum-espanol.eventbrite.com>
Español registro por teléfono: 212-491-2541

Contacto Oficina CB9: Por más información: 212-864-6200
Email: mcb9housing@gmail.com; O visítenos en 16-18 Old Broadway

In Partnership with: Congressman Charles B. Rangel and West Harlem Development Corporation

Supported by: Manhattan Borough President Gale Brewer, City Comptroller Scott Stringer, Council Member Mark Levine, Assemblyman Keith LT Wright, Council Member Inez Dickens, Assemblyman Herman "Denny" Farrell, Assemblyman Danny O'Donnell, State Senator Bill Perkins, State Senator Adriano Espaillat, West Harlem Group Assistance, Community League of the Heights, PA'LANTE (list in formation)



MANHATTAN Community Board No. 9

West Harlem • Hamilton Heights • Manhattanville • Morningside Heights



HDFC Forum

Saturday, June 11th 10am-4pm
3333 Broadway (at 135th St.)

This forum is focused on HDFC Co-op buildings, their shareholders & boards to form stronger bonds & protect our vanishing affordable ownership in CB9.

— GOALS —

Accurate information • Network with other buildings • Move towards a political agenda for HDFCs

Register at Eventbrite, Keyword "HDFC Forum"
or link: <https://mcb9-hdfc-forum.eventbrite.com>
English language registration: 212-864-6200
Spanish language registration: 212-491-2541

For more info contact CB9:
Email: mcb9housing@gmail.com
Tel: 212-864-6200
Visit CB9 offices at 16-18 Old Broadway

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