

Article II to XI Conversion Program

The New York City Department of Housing Preservation and Development (HPD), in conjunction with the New York City Housing Development Corporation (HDC), has created a program focused on preserving the affordability of Mitchell-Lama housing. The goal of the Article XI Conversion Program is to facilitate the long term preservation of affordable housing by converting from a Mitchell-Lama cooperative to an HDFC cooperative and providing financial incentives to existing shareholders. The benefits of the program include the following:

1. Assures the continuation of the cooperative as affordable housing;
2. Protects existing shareholders;
3. Offers existing and future shareholders the opportunity to realize a return on their investment;
4. Generates capital to support the maintenance and operations of the cooperative; and,
5. Provides rehabilitation loans for the developments.

Program Outline

- 30 year commitment to remain as an Article 11.
- Tax abatement will be the same as the Mitchell-Lama shelter rent formula (10% of gross income less utilities).
- Maintenance increases will be annual increases based upon RGB increases, unless the HDFC gets approval from HPD to opt out or take a greater increase in any given year.
- Reserve funding minimum will be \$1,000 per dwelling unit, plus annual deposits of \$250 per unit. The proceeds from the flip tax will provide additional funding to the reserve account.
- Occupancy Standards will remain the same as the Mitchell-Lama standards.
- The maximum income of new shareholders will be increased to 130% of median income at time of purchase; unit pricing will be set to be affordable to households earning up to 90% of AMI increasing to 100% of AMI over time.
- The Board of Directors will be responsible for approving successor tenancies.
- HPD suggests the following flip taxes:
 - First Sale Flip Tax – would apply to the first sale of a unit post-conversion to Article XI and would equal 25% of the profit.
 - Resale Flip Tax – would apply to all subsequent sales of a unit post-conversion to Article XI and would equal 5% of the profit.
- No Surcharges/income affidavits.
- Shareholders must limit the sale of their units to purchasers who income qualify. The board will approve applicants and HPD will review applications to ensure they meet the income guidelines.
- Contracts greater than \$100,000 will be reviewed by HPD.

Please Note: Nothing herein shall bind the City without a fully executed Regulatory Agreement.