

## *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 XI.
- Tax exemption 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 moderate income households.
- 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.
- Shareholders must limit the sale of their units to purchasers who income qualify and have the proper household size. The board will approve applicants and HPD will review applications to ensure they meet the requirements.
- Contracts greater than \$100,000 will be reviewed by HPD.

Note: A development that has a period of more than five years during which it must remain a Mitchell-Lama is not eligible for the Article II to XI conversion program. A Mitchell-Lama with fewer than five years remaining in its restrictive period is eligible.

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