February 6, 2018

Hon. Anne-Marie A. Hendrickson
Deputy Commissioner
Office of Asset & Property Management
New York City Department of Housing Preservation and Development
100 Gold Street
New York, NY 10038

Dear Ms. Hendrickson:

In response to your request for comment on HPD's original proposal for a new Regulatory Agreement (RA) for HDFC cooperatives, the HDFC Coalition is pleased to provide such via this letter and our own attached proposal for your review in advance of our upcoming in-person meeting with you and your staff at the offices of HPD.

What does the HDFC Coalition propose for the future of HDFC cooperatives?
Our attached proposal for HDFC co-ops provides four pathways for continued affordability, for co-ops that do, and co-ops that do not, wish to sign a Regulatory Agreement. Our alternative proposal for HDFCs has been extremely well received by the HDFC shareholder community. A first draft was submitted for review to over 1,000 shareholders, and subsequently revised to reflect comments and suggestions from shareholders who responded to our survey.
<u>Some key points of the HDFC Coalition proposal:</u>

- The DAMP tax exemption for HDFC co-ops would be preserved as-is until its legislated expiration in 2029, so that all choices for HDFCs are truly optional.
- A new HDFC tax exemption would overlap, not replace, the DAMP tax exemption.
- Optional plans for HDFCs would be available in 2019, or HDFCs can wait until 2029.
- All participating HDFCs would restrict sales to those making no more than 165% of AMI, and would get a deeper tax exemption reflective of the level of restriction.
- All participating HDFCs would be offered at least twice the discount of the market rate co-op/condo tax abatement, as HDFC co-ops provide affordable housing and our residents need the monthly maintenance charges to remain affordable to their families.
- HDFCs that aren't able to, or do not wish to sign a RA would still receive a tax exemption to preserve affordability (Option "A").
- HDFCs providing annual reports to HPD receive a greater tax discount (Option "B").
- HDFCs signing a basic RA would receive even more tax relief (Option "C").
- HDFCs in financial distress signing a stronger RA would pay no taxes (Option "D").
- Any HDFC desiring greater income restrictions can adopt a lower percentage of AMI.

Why does the HDFC Coalition see HPD's current proposal for HDFCs as problematic?
The HDFC Coalition supports the goal of preserving HDFC cooperatives as both affordable and viable cooperative housing owned and controlled by their resident-shareholders. Unfortunately, we find that HPD's currently proposed RA must be rejected in its entirety, as we see it to be extremely onerous, punitive, complex, and generally unworkable. The HDFC shareholder community is dynamic, proud, vibrant and diverse. HPD's "one-size-fits-all" RA, and proposed revocation of the DAMP tax exemption by the City Council, has been rejected by almost the entire HDFC community and many elected officials.

Further, key parts of HPD's RA proposal for HDFC co-ops are violations of New York Business Corporation Law, such as HPD-approved "monitors" with more power than a co-op's board and "carve-outs" that would make shares of original residents worth less than shares of newer residents. Never-anticipated restrictions, such as price caps on future sale prices, would cause commercial lenders to stop issuing share loans for purchases of HDFC apartments, thereby rapidly destabilizing the market and ensuring even more cash sales. HPD's implementation plan for the proposed RA is premised upon a revocation by the City Council of the HDFC "DAMP" tax exemption before its expiration in 2029, a breach of contract by the City for HDFC co-ops with deeds promising the tax exemption. Revoking the DAMP exemption would also cause many HDFCs that couldn't attain a supermajority shareholder vote in favor of signing the RA to be suddenly charged market-rate real estate taxes by the City, sending HDFC co-ops into rapid economic distress and foreclosure. Moreover, while HPD sold abandoned buildings as HDFC cooperatives to new shareholders with clear time-limited restrictions on deeds, a revisionist history from HPD now purports that HDFC cooperatives are forever beholden to HPD.

Many HDFC shareholders who have given their lives to saving formerly dilapidated buildings are astonished at the City's intent to destroy HDFC homeowner equity, achieved fairly through decades of hard work and personal investment, especially since HPD previously endorsed equity increases by taking 40% of profits from apartment sales in many HDFCs through 25-year "60/40" Security Agreements previously imposed by HPD. And HPD has for decades used the income restriction of 165% AMI for new buyers for HDFCs with expired restrictions, and for many new HDFC co-ops created by HPD. HPD's plan to reduce the AMI level from 165% to 120% AMI for buyers, and sale prices geared to 110% AMI, would reduce shareholder equity by design.

HDFCs are affordable and sell for below market rate. Data from recent sales shows that 32% were below $100,000 and 75% were below $326,000. This year, a banker described to us an HDFC co-op selling in Brooklyn for $300,000 vs. a similar apartment nearby that sold for $1.3 million, so the HDFC apartment was $1 million less than the market rate co-op apartment.

It is also frustrating that HPD seems to have completely overlooked the fact that while typically less than 1% of HDFC co-op apartments are for sale in a given year, 100% of HDFC shareholders must be able to afford their monthly maintenance. *HDFC affordability, then, is determined by the cost of monthly maintenance for all co-op residents, not by sales prices of a very few apartments*, and so any plan that threatens to increase HDFC monthly maintenance fees also threatens HDFC affordability. Moreover, any threat to the affordability of individual resident-shareholders is also a threat to the overall economic viability of the HDFC cooperative itself.

What are next steps?

The HDFC Coalition believes that our proposal offers multiple pathways for preserving the many different types of HDFC cooperatives. We hope to work productively with you, your staff and HPD towards formulation of policies that can help HDFC cooperatives continue to thrive for years to come.

We look forward to reviewing the attached proposal with you.

Sincerely,

Tina DiFeliciantonio, Peter Green, John McBride, Michael J. Palma
Members, HDFC Coalition Steering Committee
Members, HDFC Coalition Policy Committee

Cc: Mayor Bill de Blasio
HPD Commissioner Maria Torres-Springer
New York City Council Members
HDFC Coalition Members
Betty Little, NYS Senator and Chair, Housing, Construction and Comm. Dev. Committee
Steven Cymbrowitz, NYS Assemblyman and Chair, Housing Committee

The HDFC Coalition's Alternative Proposal for Continued HDFC Affordability and Viability
In Response to
A 2016-2017 Proposal by the NYC Department of Housing Preservation and Development

An outline of the HDFC Coalition's positions on many of the key issues affecting the ability of HDFC cooperatives to continue to thrive while remaining affordable to their shareholders.

Housing Development Fund Corporation (HDFC) cooperatives are a unique and vital part of New York City's privately-owned multi-family housing stock. These co-ops were created in both occupied and formerly vacant buildings that had been abandoned by their landlords in a severely dilapidated state. The City, overwhelmed by the sudden responsibility for over 10,000 abandoned buildings, identified the HDFC corporate form as a means to sell distressed buildings directly to residents and thereby avoid auctioning them off to yet another slumlord. The former tenants, and other low-income people desperately needing housing, banded together to form HDFC cooperatives and become homeowners. The new shareholders bought their buildings from the City for cash, and often restored them with their own money, labor and determination.

The HDFC Coalition's mission is to advocate for HDFC cooperatives and their shareholders, and for the right of self-determination of each HDFC to decide what works best for them. We believe that HDFC co-ops must remain independently-run cooperative corporations within a viable legal framework that keeps them financially sound and well maintained, while affordable to their resident-shareholders, and that creates certainty for shareholders, borrowers and lenders.

The strong sense of self-determination that enabled HDFC shareholders to save their buildings decades ago is alive and well today. Thus, while most HDFCs overwhelmingly oppose any imposition of new restrictions by the City, other HDFCs may choose to vote internally on the issue of enacting lower income limits than required as may be consistent with their shareholders' beliefs. The HDFC Coalition supports the right of self-determination and therefore the individual decisions of each HDFC co-op regarding income restrictions.

HDFC cooperative ownership is one of the few successful models for affordable home ownership in the City of New York. To remain successful, all City policies related to HDFCs must respect the property rights of homeowners, both collectively and as individual shareholders.

Protecting HDFCs is urgent. The Mayor's Department of Housing, Preservation and Development (HPD) is currently proposing to ask the City Council to revoke (before its legislated expiration in 2029) the DAMP real estate tax exemption for HDFCs that helps keep these co-ops affordable, and to replace it with unspecified tax reductions available only to HDFCs that sign away their rights to self-determination in an onerous and legally problematic proposed "Regulatory Agreement".

The HDFC Coalition believes that the overall success of HDFC cooperatives – that vast majority of which are operating successfully – indicates the vibrancy and resilience of HDFC co-ops and their shareholders. The Coalition is ready to work with City agencies to find solutions for those HDFC co-ops that need and want help. Above all, we believe that any efforts that would change City policy toward HDFC co-ops must begin with the principle *Primum non nocere*: First, do no harm. Recent attempts by the City of New York to re-regulate privately owned HDFC cooperatives fail to respect this principle and are inimical to the stability and growth of HDFC communities across the City.

The 10 to 25 year restriction period during which HDFCs were initially regulated by HPD has or will expire shortly for most HDFC co-ops. The City must recognize the end of this initial regulatory period, and that not one, but multiple fair and reasonable options must now be offered to HDFCs to preserve affordability after the DAMP tax exemption expires in 2029.

This proposal from the HDFC Coalition addresses many, but not all, of the key issues being discussed around the DAMP tax exemption for HDFCs, proposed regulatory agreements, price caps, monitors, managers, etc. This proposal is meant only to be a first step towards further, more detailed discussions between the HDFC Coalition and HPD, elected officials and HDFC shareholders and shareholder groups.

This proposal, therefore, is neither a final nor comprehensive statement from the HDFC Coalition on the many varied and complex issues facing HDFC cooperatives and shareholders as we approach the expiration of the DAMP tax exemption in 2029. The goal of the HDFC Coalition is to continue to engage all appropriate stakeholders so as to fully participate in the crafting of all policy towards HDFCs. The needs of the HDFC community must be properly and thoroughly addressed so that our cooperative corporations may continue to operate as viable going concerns providing safe and affordable housing for our shareholders.

The HDFC Coalition believes HPD must be guided by the following principles:

- **Transparency and accountability**: HPD must act in an open and transparent way with HDFC shareholders and their boards of directors, and include them in the formulation of all policy making affecting HDFCs.
- **Decision-making informed by real data:** All policy and regulatory initiatives must be data-driven and based on a full understanding of the facts and figures of HDFC operations, including rigorous feasibility studies of any new proposed regulation. The studies and their underlying data must be published in full , and made available in full to HDFC homeowners and elected officials before any such regulation is formally proposed.
- **HDFC affordability means the monthly cost to shareholders, not sales price:** Data shows that less than 1% of HDFC apartments sell in a given year, while 100% of HDFC shareholders must be able to afford their maintenance every month. Revocation of the DAMP tax exemption for HDFCs would destroy affordability for shareholders in HDFCs. The City's attempt to prioritize the *potential* sales price for *apartments that aren't even on the market* over the monthly costs for shareholders would be extraordinarily harmful and a misguided policy if enacted.
- **The role of the City of New York and its agencies:** The City of New York's primary responsibility to HDFC co-ops should be to create and maintain an environment that enables HDFCs to thrive as financially stable affordable housing. The City must also provide struggling HDFC co-ops all available tools to ensure they remain financially viable and independent affordable cooperative housing for their shareholders.
- **Respect for the legal foundation of HDFC cooperatives.** HDFC cooperatives are autonomous, privately owned corporations formed under the Private Housing Finance Law (PHFL) and for the vast majority also under the Business Corporations Law (BCL). HDFC cooperatives are not City-owned public housing. Aspects of HPD's 2016-2017 proposal, such as "monitors" for co-op boards and "carve-outs" (where original shareholders subjected to apartment sale price caps while more recent shareholders would be exempt) would violate the BCL.
- **Continuity of HDFC regulation required for tax relief:** HPD should refrain from both major and incremental increases in regulatory requirements and Regulatory Agreements. It is unrealistic and problematic for HPD to continually increase regulation of privately-owned buildings saved by their shareholders. Regulatory Agreements should not be required, and optional Regulatory Agreements should be minimal.
- **All HDFCs are not alike.** Deeds, contracts, certificates of incorporation, proprietary leases, bylaws and house rules and HPD programs and policies have varied over the years. That, along with decades of self-sufficiency and self-administration, means that all HDFC co-ops

are not alike. As HPD Assistant Commissioner Christopher Allred noted in a landmark paper on HDFCs, "individual HDFCs have unique attributes … [and] individual needs."

- **A recognition of the historical contribution of HDFCs**. HDFC co-op shareholders have saved their own buildings through decades of sweat equity and personal financial investment, enabling low-, moderate- and middle-income New Yorkers to remain in homes they can afford, and to achieve the American dream of homeownership and betterment for themselves and their families. HDFC shareholders have made significant contributions to the stabilization and renaissance of New York City's most distressed neighborhoods.
- **New York City must acknowledge the actual history of HDFC program and terms of sale:** HPD purposely created time-limited restrictions on income levels and HPD's regulatory authority that for many HDFCs have expired, just as restrictions expire on other forms of affordable housing. HPD has no legal basis to assert perpetual control over HDFC cooperatives. HPD refused to create price caps for 35 years so they are not part of the HDFC program and cannot be retroactively created for many reasons, including loss of shareholder equity and destruction of market for loans, etc.
- **Market forces exist and cannot be ignored**. Many HDFC co-ops and shareholders have private mortgages that would be affected by a new regulatory regime, and any new restrictions such as price caps, asset caps and income caps must be assessed both for their legality and for their certain impact on the future viability of HDFC co-ops.
  - <u>Efforts to impose price caps on HDFC apartments will prevent many banks from lending to HDFC shareholders and to HDFC co-ops themselves, as price caps would reclassify HDFCs as limited equity cooperatives, causing Fannie Mae to withdraw from the loan market for HDFCs.</u>
  - Price caps also inevitably lead to corruption and the payment of "key money", diverting funds that might have otherwise gone to preserve the building. Any efforts by the City to help struggling HDFC co-ops should not come with additional rules that - inadvertently or not - cause those HDFC co-ops to fail.
- **HDFC shareholders have earned their equity fairly**. There is no legal basis to deny HDFC shareholders the fruit of their labors, and doing so would not be progressive policy. HDFC co-op shareholders of modest means invested their own money and sweat equity to revitalize their homes and their neighborhoods, in an effort to realize the American Dream.
- **Foreclosures must be prevented.** HPD must ensure that HDFC co-ops in need of assistance can secure affordable financing and reliable expertise to maintain their buildings and reduce operating costs. For HDFC co-ops scheduled for foreclosure, every effort must be made to extend technical assistance, reschedule debts, and forgive debts to the City as appropriate, in order to ensure that these co-ops remain owned by their shareholders.
- **Remaining 60/40 agreements should be terminated.** HPD forced many HDFCs to sign 25-year security agreements requiring co-ops to pay directly to HPD 40% of the profit from the

sale of any apartment. These agreements have allowed HPD to profit from sales of HDFC apartments while siphoning off desperately needed funds that could have been allocated for capital improvements and repairs of HDFC buildings.

HDFC Coalition's Alternative Proposal for HDFC Co-ops for the Next 40 Years.

1. Preserve the City and State laws that have been in place for decades, and that are the basis for the existing agreements between the City and HDFC co-ops. HDFC co-ops rely on these laws and agreements to remain viable and affordable for their shareholders.
    a. Do not change the NY State Private Housing Finance Law (PHFL) (currently via NY State Senate Bill S6543) to destroy HDFC property rights and property values that have been earned fairly through decades of sweat equity, investment and struggle by shareholders who saved abandoned, dilapidated buildings that the City of New York was unable to maintain.
    b. Do not revoke the existing NYC "DAMP" tax exemption that was legislated to run from 1989 to June 2029, and is contractually promised in property deeds issued by the city to many HDFCs.
2. Offer all HDFC co-ops twice the tax discount value of the existing Cooperative and Condominium Real Estate Tax Abatement beginning June 2019, as HDFCs provide affordable housing to NYC residents while market-rate co-ops and condos do not, and the income of HDFC shareholders is lower to begin with. Those HDFCs that opt for it cannot simultaneously benefit from the DAMP tax exemption.
3. Create a four-tiered "DAMP 2.0" tax exemption that runs from 2019 to 2069.
    a. HDFCs have from June 2019 to June 2029 (10 years) to transition from existing DAMP to "DAMP 2.0."
    b. Under DAMP 2.0, optional Regulatory Agreements are available for HDFCs needing more generous tax exemptions to remain viable and affordable.
    c. All HDFCs must receive a reduction in real estate taxes that is at least equivalent to double the tax discount that the City provides to market rate co-ops and condominiums (i.e. the Co-op and Condo Real Estate Abatement).
    d. Any HDFC that does not choose to sign, or is unable to sign, any agreement with HPD by 2029 defaults to a simple extension of its existing regulatory framework and the DAMP (see first column in table on next page).

4. Individual HDFCs that wish to voluntarily adopt even lower AMI levels than this proposal indicates for new purchasers may take a shareholder vote to do so, and HPD has indicated willingness to create Regulatory Agreements with lower income restrictions for those HDFCs that achieve a supermajority vote in favor of doing so.

In summary, this proposal provides practical and meaningful incentives for many different types of HDFCs to remain as HDFCs, and to stay both viable and affordable for the next 50 years.

- All HDFCs may keep the existing DAMP exemption until its expiration in 2029.
- All HDFCs will have access to the existing Co-op and Condo Tax Abatement beginning in 2019.
- An optional "DAMP 2.0" exemption becomes available in 2019 with four levels of real estate tax exemption and income and reporting requirements.
- New efforts should be made to help struggling HDFC co-ops, and those facing potential foreclosure.
- Extend useful and necessary technical assistance to HDFCs that will enable them to remain affordable, efficient and well-run cooperatives.
- Any HDFC that wishes to adopt more restrictive income restrictions may do so.

The table on the next pages compares our proposed four options for HDFCs under "DAMP 2.0." This proposal would require New York City Council approval of a new multi-tiered tax exemption for HDFCs.

A. A default extension of the DAMP tax exemption for HDFC co-ops that prefer the status quote and decline or are unable to sign any new agreement with HPD. No Regulatory Agreement or reporting requirements to HPD are required, but buyers' income must comply with PHFL's Article XI formula or 165% of AMI.
B. For healthy HDFCs, a restructured DAMP tax exemption protects affordability for its low, moderate and middle income shareholders and recognizes the good stewardship of the HDFC board of directors. No Regulatory Agreement is required, but reporting of co-op data to shareholders and statement from board to HPD that such was provided to shareholders is required, and buyers' income must comply with PHFL's Article XI formula or 165% of AMI.
C. "RA Lite" for HDFCs needing a more generous DAMP tax exemption to remain viable and affordable. 165% AMI income cap for buyers and annual reporting requirements to shareholders and to HPD.
D. "RA Heavy" for HDFCs that are severely physically and/or financially distressed. 165% AMI income cap for buyers and annual reporting requirements to both shareholders and HPD. Complete exemption of real estate taxes.

Summary Table: HDFC Coalition's Alternative Proposal for HDFC Co-ops for the Next 40 Years

New "DAMP 2.0" HDFC Tax Exemption Begin: year 2019 End: year 2069	(A) DAMP 2.0 Extension of original DAMP exemption. Optional before 2029, Default tax benefit in 2029 if HDFC does not choose plan B, C or D.	(B) DAMP 2.0 with No RA	(C) DAMP 2.0 with optional RA "Lite"	(D) DAMP 2.0 with optional RA "Heavy" Only for distressed HDFCs and/or to save HDFCs from foreclosure.
General Description	For HDFCs that prefer the status quo, without RA, and/or cannot get supermajority shareholder vote. No reporting required.	For HDFCs that wish to Opt Out of RA and/or cannot get supermajority shareholder vote. Reporting required.	For HDFCs desiring a deeper exemption to remain viable and affordable. Reporting required.	For HDFCs desiring the deepest exemption to remain viable and affordable. Reporting required.
RA Required?	No.	No, but co-op board must report basic information to shareholders and attest to HPD annually data provided.**	Yes, and co-op board must report basic information to shareholders and HPD annually.**	Yes, and co-op board must report basic information to shareholders and HPD annually.**
Income Cap for New Buyers / New Sublets	Must comply with PFHL's Article XI income formula, or use 165% AMI. Co-op decides which to use as a maximum. Any HDFC's shareholders can vote to adopt deeper income restrictions if desired.	Must comply with PFHL's Article XI income formula or use 165% AMI. Co-op decides which to use as a maximum. Any HDFC's shareholders can vote to adopt deeper income restrictions if desired.	165% AMI Any HDFC's shareholders can vote to adopt deeper income restrictions if desired.	165% AMI Any HDFC's shareholders can vote to adopt deeper income restrictions if desired.
Flip Tax on Profit from any sales of	Co-op shareholders determine amount of	Co-op shareholders determine amount of	10% flip tax to co-op. Co-op shareholders	20% flip tax to co-op. Co-op

shares (Co-op receives $)	flip tax, if any, to be collected.	flip tax, if any, to be collected.	can vote to raise %. Subtract special assessment fees.	shareholders can vote to raise %. Subtract special assessment fees.
Mandatory Price Caps on Apts. *However, any HDFC's shareholders can vote to adopt price caps if desired, via a supermajority vote at a properly noticed shareholder meeting.*	No, never part of HDFC program, unfair taking of equity, would prevent banks from lending, future values unknown, room count not good measure of value. *However, any HDFC's shareholders can vote to adopt price caps if desired*.	No, never part of HDFC program, unfair taking of equity, would prevent banks from lending, future values unknown, room count not good measure of value. *However, any HDFC's shareholders can vote to adopt price caps if desired*.	No, never part of HDFC program, unfair taking of equity, would prevent banks from lending, future values unknown, room count not good measure of value. *However, any HDFC's shareholders can vote to adopt price caps if desired*.	No, never part of HDFC program, unfair taking of equity, would prevent banks from lending, future values unknown, room count not good measure of value. *However, any HDFC's shareholders can vote to adopt price caps if desired*.
Carve-outs: two-tier apartment prices for old vs. new shareholders	No, would be violation of Business Corporation Law, unfair to original shareholders.	No, would be violation of Business Corporation Law, unfair to original shareholders.	No, would be violation of Business Corporation Law, unfair to original shareholders.	No, would be violation of Business Corporation Law, unfair to original shareholders.
Asset Caps for Buyers	No	No	No	No

Real Estate Tax Exemption Level (DAMP currently caps taxes at approx. $1,260/apt./year) **See NYC DAMP exemption terms* Therefore, HDFC w/ 20 apartments = 20 x $1,260 =$25,200 (approx. max with DAMP for 20-unit HDFC).	Annual Tax Bill- Tax should be *lower amount of either: $900/apt./year/max* -OR- Twice the NYC coop/condo % discount (17.5% to 28.1% x 2= 35% to 56.2% off tax bill) *Pro-rata reduction in DAMP for co-ops unable to certify 100% owner occupancy as primary residence. Shareholders attest residency to DOF as per co-op/condo tax abatement.*	Annual Tax Bill- Tax should be *lower amount of either: $600/apt./year/max* -OR- Twice the NYC coop/condo % discount (17.5% to 28.1% x 2= 35% to 56.2% off tax bill) *Pro-rata reduction in DAMP for co-ops unable to certify 100% owner occupancy as primary residence. Shareholders attest residency to DOF as per co-op/condo tax abatement.*	Annual Tax Bill- Tax should be *lower amount of either: $300/apt./year/max* -OR- Twice the NYC coop/condo % discount (17.5% to 28.1% x 2= 35% to 56.2% off tax bill) *Pro-rata reduction in DAMP for co-ops unable to certify 100% owner occupancy as primary residence. Shareholders attest residency to DOF as per co-op/condo tax abatement.*	Annual Tax Bill- Total exemption of Real Estate taxes: *$0/apt./year* *Pro-rata reduction in DAMP for co-ops unable to certify 100% owner occupancy as primary residence. Shareholders attest residency to DOF as per co-op/condo tax abatement.*
Length of RA Term (HDFCs can either renew or move to another column at end of each RA.)	N/A	N/A	10 years, renewable at choice of HDFC for up to 40 years.	10 years, renewable at choice of HDFC for up to 40 years.
RAs for HPD loans to HDFCs (Grants exempt from RA)	N/A	N/A	RA term defined by length of loan repayment plan.	RA term defined by length of loan or repayment plan.
Managing Agent Required / only HPD-approved Managing Agent	No / No	No / No	No / No	Yes / Yes HPD must certify and oversee managers.
Monitor	No, would be violation of Business Corporation Law,	No, would be violation of Business Corporation Law,	No, would be violation of Business Corporation Law,	No, would be violation of Business Corporation Law,

	never part of program.	never part of program.	never part of program.	never part of program.
Primary Residence Requirement	Yes (as per NYC co-op condo abatement, exemption for medical, educational, military, work requirements)	Yes (183 days/year, exemption for medical, educational, military, work requirements)	Yes (183 days/year, exemption for medical, educational, military, work requirements)	Yes (183 days/year, exemption for medical, educational, military, work requirements)
2nd Property Restriction	No	No	No	No
Reporting requirement by HDFC board to shareholders / HPD**	No new requirements	Yes: Report to shareholders and attest to HPD annually via checklist.**	Yes and report to shareholders and HPD annually.**	Yes and report to shareholders and HPD annually.**
Annual Minimum Maintenance Increase	Coop determines	Coop determines	2%, unless operating income exceeds operating expenses by 5%	2%, unless operating income exceeds operating expenses by 5%
Required annual contribution to reserve fund	Coop determines	Coop determines	Best practices/3% of annual maintenance until reserve holds 3 mos. of operating expenses	Best practices/3% of annual maintenance until reserve holds 3 mos. of operating expenses
Commercial Lease Restrictions	N/A	N/A	Market value, no conflict of interest, 10 year max.	Market value, no conflict of interest, 10 year max.
Subletting Restriction	Co-op determines.	Max 24 months within any 4 year period, or less if per Co-op rules	Max 24 months within any 4 year period, or less if per Co-op rules	Max 24 months within any 4 year period, or less if per Co-op rules

***Reporting (less reporting for columns A, B): Annual budget, financial statement, certify distribution of financial statement to shareholders, occupants of apts. w/ maintenance/rent and arrears, list of sales, list of leases and sublets approved with names of renters, withdrawals from reserve fund, certify annual election and notice, certify 2% maintenance increase, training plans for board.*

In sum, the purpose of any City policy toward HDFCs should be to firstly seek to help those in distress, and secondly, to ensure the stability and preservation of those more successful HDFCs that have greatly contributed to neighborhood revitalization and community development. We must celebrate the spirit of self-determination and sense of purpose that so many HDFC shareholders embody. The creation of a new and truly progressive program that proactively seeks to help distressed HDFCs on a case-by-case basis, while extending and improving the DAMP tax exemption far beyond 2029 for those HDFC co-ops who want it, will help protect the viability of all HDFC co-ops.

HDFC Coalition Recommendations on HPD Technical and Legal Assistance to HDFC Co-ops

HPD's existing set of programs to assist HDFC cooperatives with financing, reconstruction, physical maintenance, energy-efficiency improvements, and legal and accounting services and advice have failed to provide the needed assistance to HDFC co-operatives, and are often run by contractors more interested in collecting service fees from HPD than in offering viable services for HDFC co-operatives. Many of these programs are complex to navigate for HDFC shareholders and boards of directors. We request that HPD collaborate closely with shareholder groups including the HDFC Coalition to revamp the current programs of assistance to HDFCs, and establish a viable program to extend technical, financial and expert assistance to HDFCs.

- Provide quality technical assistance for HDFC co-ops to lower maintenance and reconstruction costs
    - Maintain a database of qualified architects, engineers, managing agents, energy efficiency experts and service providers, and include feedback from HDFC co-ops that have used these contractors
    - Offer group discounts for items such as window or boiler replacement
    - Offer consultations on energy efficiency
- Assist with good governance:
    - Offer a set of good governance guidelines, and seminars on how to implement them
- Mediation program
    - Encourage use of the NY Bar Association's co-op mediation service to resolve shareholder-board or shareholder-shareholder disputes.

- HPD senior staff to lead quarterly forums directly with shareholders of struggling HDFC co-ops, with participation of representatives of HDFC shareholder organizations, rather than use 3rd party contractors for such outreach and communication. Such an effort would put HPD directly in touch with the HDFC shareholders and vice versa.
- Communications from HPD should be offered in Spanish and other languages at all times.