Department of Housing Preservation & Development
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NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT (HPD)
Office of Development, Division of Property Disposition and Finance

AFFORDABLE NEIGHBORHOOD COOPERATIVE PROGRAM ("ANCP")
FREQUENTLY ASKED QUESTIONS (FAQS)

Disclaimer: The answers are subject to change and are not intended as representations or guaranties to induce potential purchasers to buy residential units or shares in the buildings. Any potential purchaser should seek legal advice based on the purchaser's particular circumstances before purchasing.

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Program

Q. What is the Affordable Neighborhood Cooperative Program (ANCP)?

A. ANCP selects qualified developers to rehabilitate distressed city-owned occupied multi-family properties, managed by the Tenant Interim Lease Program (TIL), in order to create affordable cooperatives for low and moderate-income households. ANCP provides low interest loans for rehabilitation of buildings in the ANCP program. Additional construction and permanent financing sources may be provided by, but not limited to, private institutional lenders and New York State Affordable Housing Corporation (AHC) programs. All ANCP properties are currently owned the by the City of New York. They will be transferred to Restoring Communities HDFC ("RC") upon the closing of the construction loan, and conveyed to a newly formed cooperative Housing Development Fund Corporation (HDFC) upon cooperative conversion after completion of renovations. The co-op HDFC is the entity created to be the owner of the building which is owned and managed by the apartment shareholders.

Q. Why are we clustering buildings for redevelopment?

A. Clustering buildings provides an economy of scale for each project, resulting in an overall reduction of development cost, and allows ANCP to rehab more buildings at one time.

Q. After development, will each building be a part of a clustered co-op?

A. No. Each Tenant Association (TA) within a development cluster will operate as an individual co-op separate from the other buildings within the development cluster, unless multiple buildings consist of one TA.

Tenant Interim Lease ("TIL") Program

Q. What is the role of the HPD TIL Building Coordinator?

A. The building coordinator is an HPD employee responsible for property management functions of a building in the TIL program, which include overseeing Tenant Association (TA) rent collections and monitoring compliance (e.g., financial report submissions and annual TA elections) with TIL requirements. They are the tenants' primary point of contact at HPD.

Q. Will the HPD TIL Building Coordinator still be involved with the building once the building starts the development process?

A. The role of the TIL Building Coordinators will stay the same as long as the building is under the TIL program. Once building ownership is transferred after construction closing, the ANCP Project Manager will be the liaison between HPD, Restoring Communities HDFC ("RC") and the developer to facilitate project completion.

Restoring Communities Housing Development Fund Corporation (HDFC)

Q. Who is Restoring Communities HDFC?

A. Restoring Communities HDFC ("RC") is a nonprofit entity that collaborates with the New York City Department of Housing Preservation and Development ("HPD") on programs that seek to foster neighborhood stabilization by efficiently transitioning properties from physical and financial abandonment to responsible third party ownership.

Q. What is the role of Restoring Communities?

A. During construction, RC is the titleholder of the buildings. Through a Site Development & Management Agreement, RC passes day-to-day operations and all obligations associated with managing and rehabbing the building, as well as the co-op conversion requirements, to the developer. RC, with HPD, oversees the developer's performance in building operations, timely project completion, and relations with the Tenant Association. Additionally, they ensure the filing of the co-op offering plan with NYS Attorney General and apply for and administer Affordable Housing Corporation (AHC) grant funds.

Q. Why is Restoring Communities being used as a third- party to hold the property title?

A. RC is being used to protect the tenant's interest in becoming a co-op and to mitigate any potential conflict of interest that may arise with the developer's role during the conversion process.

Developer

Q. What is the role of the developer?

The role of a developer selected by HPD to work on an ANCP project is as follows:

- Oversight of development and construction of selected sites in compliance with the ANCP term sheet and any other terms required by HPD and the other lenders.
- Coordination of property management responsibilities, pursuant to an agreement with Restoring Communities

HDFC ("RC"), during construction and for at least 1 year after cooperative conversion.
- Ensure the successful conversion of the building to a cooperative corporation, including but not limited to, submission of Co-op Offering Plan and marketing and sale of vacant units.
- Marketing any vacant units in accordance with HPD marketing guidelines and rent up for any non-residential space(s) in the building, if applicable.
- Engagement with existing tenants as related to property management and achieving milestones for co-op conversion.

Q. How is a developer chosen to develop a property?

A. Our developers were chosen through a Request for Qualifications (RFQ), which was issued in the fall of 2015 and is no longer open. Subsequent RFQs will be released on a rolling basis.

Q. Will the TIL buildings be sold to the developers for their own rental use?

A. No, the developer will not own the buildings. The City will convey the buildings to RC, a not-for-profit organization that will own the buildings during the period of rehabilitation. Under RC and HPD's supervision, the developer will manage and rehabilitate the buildings. During the rehabilitation period, the developer will collect rent and pay building expenses from the rent proceeds. After construction is completed, RC will convey the building to the newly created, tenant controlled, co-op HDFC. The building will simultaneously convert to cooperative ownership.

Q. When will the developer equity contribution be reimbursed to the developer?

A. The developer equity will be reimbursed to the developer at conversion through the sale of the vacant units.

Tenants – Insider Purchase Price

Q. What is the purchase price for the existing tenants living in the TIL building?

A. The purchase price for existing residents will be $2,500 per apartment (per co-op share). Each household is only permitted to purchase one unit at this price.

Q. Is there any assistance for tenants who cannot afford the purchase price?

A. Existing residents who income qualify at or below 80% of Area Median Income ($68,720 for a family of 3 in 2017), and who are current in rent payments (no more than 2 months in arrears), will be eligible for a unit purchase savings plan. The unit purchase savings plan allows for rent payments collected during construction to be diverted into a savings account up to $2,250 of the $2,500 purchase price. Qualifying families will still be required to contribute an additional $250 at co-op conversion to purchase their unit.

Q. When are existing tenants required to have the $2,500 necessary to purchase their co-op share?

B. The tenants must have their $2,500 approximately 6 months after construction completion.

Q. If a tenant does not purchase the unit, can they remain in the building as a renter?

C. Yes. Non-purchasing residents will NOT be evicted because of their choice to not purchase their unit share. However, a minimum of 80% of the existing tenants must agree to purchase their unit share in order to convert the building to a cooperative. If a building does not convert to a cooperative, all tenants will come back to the building as rent-stabilized renters and HPD will select suitable owner for the building. In this case, the new owner will be required to enter into a regulatory agreement with HPD that imposes rent and income restrictions on the property.

Tenants – Maintenance Affordability

Q. Why does ANCP need my income information?

A. HPD uses income information to preserve housing for low to moderate income families. This is done by sizing building maintenance fees to maximize affordability and sustainability for each cooperative developed. In addition, the income certification is used to determine whether a tenant qualifies for the unit purchase savings program.

Q. What is a maintenance fee?

A. A maintenance fee is paid on a monthly basis and covers the individual building's operating expenses, including water and sewer charges, insurance, any required loan payments, management and monitoring fees. Portions of that fee will also be placed into the co-op's reserve accounts to fund large capital repairs and the needs of the individual building.

Q. What will the monthly maintenance be for each apartment and how is it calculated?

A. The maintenance is calculated so that the cooperative can collect enough revenue to cover the property's operating expenses, and is based on factors including projected operating costs, reserve contributions and monthly cost of the permanent mortgage. Maintenance must be set consistently within the cooperative, and is distributed among the shareholders based on unit square footage, number of bedrooms, or other distribution methods approved by HPD. In order to help shareholders at various income levels to afford the maintenance payment, HPD may offer the tenants an opportunity to apply for Section 8.

Q. Will Section 8 be available for the shareholders?

A. Section 8 rental assistance may be available for those who qualify to cover the maintenance charges to the extent they exceed 30% of their monthly household incomes. General Section 8 income guidelines may be found here: Section 8 Eligibility. Applications will be provided to income eligible families, if available, upon return to the rehabilitated property. Interim Payment Assistance ("IPA") will not be available for the shareholders.

Q. How long does it take for Section 8 to take effect?

A. On average, it can take 3 to 6 months from application date for residents to receive Section 8 benefits. This timeline depends on resident submitting completed documents in a timely manner.

Tenants – Building Management During Construction

Q. Will the Tenants Association ("TA") be required to relinquish its net lease with the City?

A. Yes. The net lease terminates (after a thirty day notice is issued) once the property has been conveyed to Restoring Communities, at construction loan closing.

Q. Can Board members continue to be paid a management fee once the property is conveyed to Restoring Communities?

A. No. Once the City terminates the net lease the board will no longer be paid a management fee. After Restoring Communities ("RC") conveys the building to the co-op HDFC, the cooperative will be required to have third party management. The developer will stay on as the property manager for the first year after cooperative conversion. After which, the co-op HDFC may either retain the third party property management company or choose another management company, with written approval from HPD.

Q. What is going to happen to the operating funds in the checking account?

A. During construction, HPD will hold operating funds for safe keeping, since the developer is responsible for operating costs during construction. If a need arises that would otherwise have been paid from the operating account, residents should provide invoices to the developer. A listing of eligible expenses during the construction period will be provided to tenants. After construction, the operating funds will be deposited into an operating account, controlled by the co-op. In addition to the remaining operating account, an operating reserve account will also be established at co-op conversion, which is sized at six months of projected operating costs and six months of permanent mortgage debt service. Draws from the operating reserve will require HPD written approval.

Tenants – Relocation

Q. Will the tenants be relocated into HPD buildings during the renovation process?

A. No. The tenants will be relocated to temporary units provided by the developer. Efforts will be made by the developer to provide relocation units of the same bedroom count and within the same community.

Q. Is checker boarding a relocation option?

A. Checker boarding, or moving into another unit within the building during construction, is not a preferred option for ANCP properties, as more than 95% of the buildings require substantial rehab including joist replacement. Additionally, it is anticipated that buildings in a cluster will start construction at the same time so tenants cannot be relocated within the cluster.

Q. When will the tenants be relocated and for how long?

A. Typically, the developer will relocate the tenants approximately 3 months before construction commences. Tenants are expected to be relocated for approximately 18-24 months once construction has started and will return to the building upon completion of construction and receipt of the Temporary Certificate of Occupancy.

Q. Will the tenants have to pay relocation rent and moving costs?

A. Tenants who are relocated will continue to pay the same TIL rent. Any difference in the rent between the Tenant's current rent and the rent at the relocated unit, as well as moving costs are not paid by the Tenants, but will be made part of the construction budget.

Tenants – Construction and Cooperative Conversion

Q. Will the TA have input into the design of the building and its residential units?

A. Yes. HPD and the developer will seek input from the TA. Every financially feasible effort will be made to accommodate the concerns of the TA into the design of the renovated building regarding such factors as apartment size and location, particularly when there have been changes in the size of the households. New building design will need to conform with HPD, DOB and other applicable regulations, and as such, the layout of units is subject to change.

Q. Can shareholders make improvements in their unit?

A. Shareholders can change the finishing and fixtures in their unit (i.e.: cabinets, paint, floors, and tiles) after construction is complete. Any structural changes by renovation or alteration (i.e.: rerouting pipes, adding a wall) will need board approval as explained in the proprietary lease.

Q. What are the tenant's responsibilities in order to convert to a cooperative?

A. The existing tenants are responsible for following the rule of 80% in order to convert to a cooperative:

- 80% of existing tenants must be current in their rent (no more than 2 months of arrears)
- 80% of existing tenants must purchase their co-op share for $2,500
- 80% of existing tenants must attend the homeownership trainings

Q. Will the residents (tenants) be involved in the selection of future shareholders?

A. Prior to co-op conversion, HPD Marketing and the developer will hold a lottery to sell any vacancies after construction is complete. After the initial sales have occurred, subsequent sales will be managed by the co-op board and overseen by the co-op Monitoring Agent. The selection process in both instances must adhere to federal Fair Housing guidelines, HPD marketing guidelines, and the co-op regulatory agreement.

Q. Can the co-op share be succeeded to a family member?

A. Yes. Prior to closing a spouse or child may apply for succession as long as they are listed in the household composition at the time of construction loan closing. After this time, the individual co-op shares can be conveyed to a spouse or child through a valid will document (residents of the co-op must adhere to the affordable housing standards established for the co-op).

Homeownership Training

Q. Why is homeownership training offered?

A. The trainings are provided to give tenants the necessary information to properly own and manage a residential cooperative.

Q. How often are the homeownership trainings offered?

A. The trainings will be spread out during the period of construction. The training provider will work with the tenants' schedule.

Q. When will the trainings start?

A. Once the tenants are relocated and construction has begun, the developer will initiate a contract with a training provider for at least eight (8) training classes. The eight classes must be attended before conversion. The developer will notify the tenants of the trainings.

Q. Who pays for the homeownership trainings?

A. The cost for the training is incorporated into the construction budget.

Development Financing

Q. How is the rehabilitation of the building financed?

A. Development in ANCP is financed by both public and private debt, and the sale of occupied and vacant units. Additionally, if the units are income eligible, the building/cluster can receive New York State Affordable Housing Corporation (AHC) grant funds that can be utilized as funding for financing of the building.

Q. Does HPD provide pre-development financing to the developer?

A. HPD does not provide pre-development financing. Any pre-development loan is the responsibility of the developer.

Q. What is a permanent loan?

A. The permanent loan is the building's mortgage and consists of the private bank loan and the HPD loan. The private bank loan will be paid down over 30 years (amortized) by a portion of the monthly maintenance and any lease payments in the event the building has commercial space available. Payments on the HPD loan may be deferred and interest may be accrued.

Q. What are AHC grant funds?

A. New York State Affordable Housing Corporation (AHC) creates homeownership opportunities for low and moderate-income families by providing grants to governmental, not-for-profit, and charitable organizations to help subsidize the cost of newly constructed houses and the renovation of existing housing. Grants are not made directly to individual homebuyers or homeowners; however they help subsidize the price of the home for the homebuyer. The Grantees are responsible, in turn, for ensuring that the homebuyers or homeowners are income qualified and otherwise eligible recipients of funds under the Program. Restoring Communities is the designated Grantee that will apply for the grant on behalf of the shareholders.

Q: What items are funded by the development budget?

A: Among other expenses, the development budget will cover the cost related to building rehabilitation, tenant relocation, tenant training, and the funding of the initial operating reserves for the future cooperative.

Property Manager and Monitoring Agent

Q. Will the developer continue to manage the property after the property becomes a cooperative?

A. The developer will continue to manage the property for a minimum of one year after cooperative conversion. After one year, the co-op HDFC will have the option to maintain the developer as the property manager or select a new property manager. It is a requirement for the property to have third-party management under the restrictions of the building's regulatory agreement. HPD must approve any change in property managers during the regulatory period.

Q. What are the responsibilities of the Property Manager?

A. The manager will collect maintenance and other applicable charges from shareholders. It will also review commercial leases to make sure the co-op is getting fair value for the space.

Q. What are the responsibilities of the Monitoring Agent?

A. The Monitoring Agent approves sales, leases, and subleases; issues share certificates to new shareholders; approves withdrawals from the reserve account; certifies annual elections; and approves training plans for the Board of Directors and even shareholders, if necessary. The Monitoring Agent also has the responsibility of helping the board determine whether a shareholder has violated a part of the Regulatory Agreement.

Q. Can a cooperative select the Monitoring Agent?

A. The initial co-op Monitoring Agent will be selected by the developer. After the first year of co-op operations, the co-op may elect to replace the co-op Monitoring Agent with approval from HPD.

Vacant Units Sales

Q. How much is the sale price of vacant units?

A. The sale price for the initial sale of a vacant unit will be determined by the amount needed to help cover certain portions of the construction debt. As of 2017, the average price of a 2bedroom unit in this program is $270,000. All proposed sale prices are compared to a recent appraisal and are set below market sales prices.

Q. Who will sell the vacant units?

A. The developer will market and sell the initial vacant units according to HPD Marketing Guidelines. Prospective shareholders of the initial vacant units will apply for vacancies and will be selected via lottery. Therefore, input from existing shareholders is limited. Units that are resold will be sold by the shareholder and the Monitoring Agent. Shareholders will be able to have input in the sale of resold units.

Q. Do unit sales proceeds go to the developer?

A. No. Sale proceeds from the initial occupied and vacant units helps to finance the construction costs, and typically goes towards paying down the building's mortgage. The proceeds from a resale unit will be split among the co-op (flip tax), HPD loan, and the seller.

Q. Where can interested buyers obtain an application for the initial vacancies when they go for sales?

A. The initial vacant units will be advertised on the HPD website under Homeownership.

Co-op Conversion

Q. How long does it take for a building to become a co-op?

A. On average, we budget for a year of predevelopment, 18 months of construction/rehabilitation, and 6 months for the marketing and leasing of units. Therefore, it will take approximately 3-3½ years from the initial assignment of a project to co-op conversion. The building will convert to cooperative ownership after construction is completed, construction financing has been converted to permanent financing, and when the building is conveyed to the tenant controlled co-op HDFC.

Q. What happens to the building if it does not convert into a cooperative?

A. The building will become a rental, and will be sold to an owner to operate as a rent stabilized property under a regulatory agreement by HPD. The developer who rehabs the building cannot become the owner in the event of rental fallback. A new developer will be selected to own the rental building.

Q. Will HPD continue to be involved in the process?

A. Yes. HPD will be involved in approving the design, financing the rehabilitation, approving the rehabilitation work, and in the cooperative conversion process. Additionally, HPD's Asset Property Management unit will be involved during the regulatory agreement period.

Regulatory Agreement

Q. What is a Regulatory Agreement?

A. A regulatory agreement is a contract between the co-op and the City of New York that outlines certain restrictions and legal requirements with the aim of ensuring continued affordability for the co-op.

Q. How long will be buildings be subject to HPD regulatory restrictions?

A. For a minimum period of 30 years, following the date of conversion to co-op.

Q. Is the co-op maintenance payment required to increase over time?

A. Yes. The ensure the co-op operating costs are covered by the collected maintenance, maintenance will be required to increase annually at a minimum of 2%.

Q. What are the resale restrictions?

A. Resale restrictions will include maximum sales prices, income restrictions on new purchasers, limitations on profits from net sales proceeds, and asset caps.

Q. Are these limited equity co-ops?

A. Yes. To sustain affordability, units are sold at below market prices and are subjected to limitations on the amount of equity or profit they can receive on the re-sale of their units. These limitations are laid out in the Regulatory Agreement.

Q. What happens if the co-op violates the terms of the co-op Regulatory Agreement?

A. The HPD property will be conveyed to the newly formed tenant controlled co-op Housing Development Fund Company (HDFC) for the price of $1. The appraised value of the building, less the purchase price of $1, will be documented in an Enforcement Note and Mortgage. The value documented in the Enforcement Note and Mortgage will only be due if the co-op fails to abide by the terms of the regulatory agreement. The value of the Enforcement Note and Mortgage evaporates at the end of the regulatory agreement term.