Cooperators United for Mitchell-Lama
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May 22, 2012

Mathew Wambua, CommissionerHPD
100 Gold Street
New York, NY 10038

Richard Froehlich
HDC
110 William Street
New York, NY 10038

Eric T. Schneiderman
New York State Attorney General
120 Broadway
New York, NY 10271

Re: Proposed Conversion of Mitchell-Lama Cooperatives to PHFL Article XI HDFC Cooperatives

Dear [Commissioner Wambua, Mr. Froehlich, Attorney General Schneiderman]:

On behalf of Cooperators United for Mitchell-Lama (cu4ml), I am writing to express our very strong objection to a plan by HPD and HDC to encourage Mitchell-Lama (ML) cooperatives to reconstitute as PHFL Article XI Housing Development Fund Company (HDFC) cooperatives.

In the accompanying position statement, we express our reasons for believing that any conversion of affordable ML cooperatives to unaffordable HDF companies is altogether unnecessary and self-defeating and could result in the regrettable loss of tens of thousands of units of NYC's housing stock currently affordable for moderate- and middle-income New Yorkers.

For example, in the Article XI conversion recently proposed to Cadman Towers in Brooklyn, apartment prices are projected to rise from a current range of $20,000 - $50,000 to a range of $200,000 - $370,000. Particularly for the smaller apartments, the down payments alone on the converted apartments approximate the total current ML prices. Accepting the standard that housing should consume no more than 30% of household income, a household with annual income of at least **$33,640** could afford a two-bedroom+ apartment at Cadman Towers at present. Following conversion as proposed, household income to afford that same apartment would have to be at least **$89,640.**

This change would place Cadman apartments well beyond the reach of families currently on Mitchell-Lama waiting lists and of other middle-income New Yorkers in similar occupations.

The reasons given for this new type of conversion are to allow current shareholders to reap a windfall profit (70% of the apartment price) and to provide some money (30% of the price) for major repairs. There is, however, no justification for current, long-subsidized residents to make any profit. Even more importantly, because much of the sales revenue would be needed to replace surcharge and other current income at Cadman Towers lost by the conversion, the scheme would capture for repairs only 8.5%, not 30%, of apartment sales revenue.

The new HPD regulation [(3-14(i)(15)] that allows conversion from ML to HDFC was adopted last December without public comment. Had cu4ml had an opportunity to testify regarding this amendment before its adoption, we would have opposed it and, if HPD insisted on adoption, we would have urged two major changes:

1. that full compliance with the Martin Act through Attorney General review of a detailed Offering Plan and acceptance for filing would be required prior to a shareholder vote, and
2. that the vote to approve the Plan would require an affirmative vote by 2/3 of the apartments, not a mere simple majority, with one vote per apartment.

It appears to cu4ml that the agencies have developed the Article XI conversion scheme in the interest of ML cooperators who want to profit personally from the loss of ML housing. We respectfully request that you now consider the position of ML cooperators who value the ML Program of affordable housing in New York and who are interested in preserving the cooperatives, not converting them for personal profit. To this end, cu4ml submits the accompanying detailed statement for your attentive consideration, and we urge that conversion of affordable Mitchell-Lama cooperatives to unaffordable HDFC cooperatives be abandoned before any such conversion is effected.

Sincerely yours,

Jeanne S. Poindexter, President
Cooperators United for Mitchell-Lama

cc: C. Quinn, NYC Council; J. Walpert, HPD; M. Jahr, HDC; S. O'Neill, HDC;
M. Piesman, AGO; L. Roots, AGO

Encl. (position statement)