

MITCHELL-LAMA VS HDFC: WHAT WE'D LOSE WITH ARTICLE 11

MITCHELL-LAMA (ML)

HDFC (ARTICLE 11)

➤ Cadman remains actual affordable housing

Cadman units are currently affordable to applicants who make as little as \$40K (for a family of 3). This makes our building unique and ensures a diverse and inclusive community.

➤ Cadman's ML status ensures fiscal options

Repair loans and grants, public refinancing, affordable interest rates and our major "shelter rent" tax abatement are never at risk. Additionally, Cadman can work with ML advocates and lawmakers to ensure public investment.

➤ Demand and sales revenue remains consistent

Cadman currently does not rely on a speculative flip tax scheme. Unlike with Article 11, our current pool of potential buyers does not shrink over time.

➤ ML regulations uphold transparency, democracy

Meeting and elections procedures, justification for maintenance increases, succession rights are all currently regulated by Mitchell-Lama law.

➤ Our external waiting list remains intact

Our external waiting list ensures fairness and diversity in our community. Those who have waited their turn will eventually get an offer.

➤ ML revenue does not rely on a speculative scheme

ML coops are time-tested. We are not-for-profit and shareholders receive a return of equity when they leave. We do not rely on speculative flip taxes.

➤ Future maintenance increases are possible and likely inevitable in both scenarios

Maintenance increases were imposed for the past 3 years due to repair needs that were ignored for decades. Article 11 does not improve our financial outlook as income would only become more speculative. "Maintenance increases will be implemented on an annual basis as needed" (Proxy Statement, pp. 4, 20, 21).

➤ Units are unaffordable for most; Cadman gentrifies

Only applicants with higher incomes or significant assets would be able to afford a unit. Mortgages for HDFCs are historically difficult to come by. Cadman would become more exclusive and discriminatory.

➤ Public financing and tax relief jeopardized

After semi-privatization, there is no assurance that Cadman will continue to qualify for current public financing options or be granted the "shelter rent" tax abatement. Our financial picture becomes more uncertain over time.

➤ Financial risk, speculation and sales unpredictability

Revenue from flip taxes declines immediately from 50% to 3%. Additionally, buyers might be turned off by resale caps, unfavorable mortgage terms, rising maintenance costs and our surcharge policy - which is not found in other HDFCs.

➤ Less transparency, more power for the Board

Cadman would no longer be bound to ML transparency rules. And without a Regulatory Agreement (missing from Proxy), future rules and regs are unclear.

➤ Those currently on the waiting list are left hanging

Our external waiting list would dissolve after we converted, and anyone on it would have to come to terms with reapplying for much more expensive units.

➤ No ML has ever undergone an 'Article 11' experiment

Cadman would be the first ML undergoing conversion to HDFC, with no guarantee that this plan will work for us.

ASKING THE WRONG QUESTION

The Committee to Preserve Cadman Towers has worked for decades to keep Cadman truly affordable for low- and moderate-income families. We believe the not-for-profit Mitchell-Lama Program has been a boon for New Yorkers and feel grateful that we have been blessed with the gift of affordable housing. We don't believe that long government subsidized shareholders should leave Cadman with a profit and deny this gift of affordable housing to the next generations – as the Article 2-to-11 conversion plan proposes to do.

But in addition to affordable, not-for-profit housing, **we have major concerns about the financial viability of Article 11**. In conversations with neighbors about the reasons we oppose the semi-privatization of Cadman, we are often asked:

“If we don't convert to Article 11 how will we pay for future capital repair needs?”

This is the wrong question. All of us concerned about Cadman's finances should be asking whether or not Article 11 will actually raise enough money to pay for our capital repair needs. Will the plan work as promoted?

From our analysis of the Article 11 semi-privatization plan, we believe the answer is *No, not really, and certainly not in the long term.*

Our initial take on the Proxy Statement is that it is missing crucial information and documents that we need before we should be asked to vote on the future of our co-op. We believe that cooperators should be especially concerned about the Proxy's lack of a long-term budgetary projection in the scenario that Cadman does in fact undergo Article 2-to-11 conversion. The Proxy Statement is saturated in mentions of our current and future expenses. But it does not offer us a picture of how much income we might still need to come up with each year *after flip tax sales revenue* – and what, financially, we might end up sacrificing – if we convert.

Moreover, it is particularly disturbing to us that the Regulatory Agreement with HPD (NYC Dept. of Housing, Preservation and Development), that will govern a semi-privatized Cadman, is missing. Even though the Plan cautions us to read this Agreement before voting, it is not provided. Instead, a summary/term sheet is all that we see. As “the devil is in the details,” we can't imagine signing a 99-year contract without first reading it. We believe the Board should not hold the vote until we have this document.

Of course, if someone tells you that something is in the Plan but cannot point you to the page where it is written, then IT IS NOT in the Plan. Only what is in writing can be counted upon. It will be important to remember this fact as the Board holds their sales pitch meetings.