

Understanding Resale: Part I

*When you purchased shares in your Housing Development Fund Corporation (HDFC), you and your neighbors became the cooperative owners of your building. With ownership comes the responsibility of managing and maintaining the HDFC. Part of that responsibility is keeping your building affordable for yourselves and other households who will move in after you. In this issue and upcoming issues of **Member News**, UHAB will feature articles to help you understand your Resale Policy.*

What is so special about my HDFC?

An HDFC is a special purpose housing corporation incorporated under New York State law. By forming an HDFC to create your co-op, HPD is able to sell you your building at a fixed low price (usually \$250/unit) and provide other benefits including the rehab of your building and a reduction in your real estate taxes. In the past 27 years, over 1,000 HDFCs have been created to provide secure and affordable housing for nearly 25,000 residents. Today, as rents and real estate values rise, affordable housing is becoming extinct. The HDFC co-ops will remain an incredible resource of affordable housing for communities around the City *only* if each HDFC is careful about following the resale rules in your legal documents and the HDFC law.

What is the difference between a regular business corporation and an HDFC?

The biggest is the purpose. Regular business corporations are created to make money for their shareholders. HDFCs are created to provide housing “*for persons of low income*” which means that both the monthly charges (rents or maintenance) and the sales price for apartments must be kept affordable. In exchange, the City has helped by rehabbing your building, your taxes are reduced by the DAMP Tax Cap, HDFCs are exempt from city and state corporate taxes, TILs and HDFCs get free training and assistance from UHAB and others and households with very low incomes were able to get Section 8 rent subsidies at the time you bought your building. HDFCs are also eligible for specific programs like Tax Relief, low cost repair loans and DEP Forgiveness programs.

What happens when our resale restrictions expire?

Your HDFC’s rules regarding the resale and transfer of apartments are found in three of your legal documents: your Certificate of Incorporation (in Article X), your By-laws, and your Proprietary Lease. Article X of your Articles of Incorporation details the resale restrictions imposed by HPD. These restrictions include the definition of low income for who can purchase shares in the co-op and how profit is split between the co-op and the outgoing shareholder. Depending on when the building was purchased, it’s likely that this initial policy has expired. After that time you can choose to re-adopt the old definitions and income guidelines or develop new ones. However, even when the resale restrictions expire, an HDFC always will be an HDFC--the purpose of an HDFC *never* expires.

HDFCs are always required to provide affordable housing to low income families.

The next issue of **UHAB Member News** will discuss what your co-op should do, and how to draft a resale policy. For more information, please contact your UHAB coordinator. HDFCs in the Bronx and Harlem may call (212) 828-2670; HDFCs in Lower Manhattan, Brooklyn and Queens may call (718) 246-9760 or (212) 479-3340.

