

**GETTING STARTED**

## *The Income-Restricted Apartment*

By Jim Rendon

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WITH the median price of an apartment in Manhattan topping \$1,000 a square foot, homeownership is often far out of reach. But there are options for those who cannot afford the market rate, including co-op apartments for buyers who earn a certain percentage of the area median income, or A.M.I.

These buildings are scattered all over the city. Some date to the 1950s; others are brand-new and still looking for buyers. Some are limited to those who earn less than the median income — 60 or 80 percent, for example (the median for a family of four in New York City is \$83,000). Others have apartments for those earning a bit more than that sum. Many new developments try to bring in owners from different economic backgrounds, and are likely to include market-rate units as well.

At one recent development, Atlantic Terrace, near the new Nets arena in Brooklyn, similar one-bedroom apartments were priced at \$85,000, \$113,000 and \$232,000, depending on the buyer's income. A market-rate one-bedroom, nearly identical to the subsidized ones, was listed for \$365,000.

“When you walk through the hallways of our building, it should be like walking on a Brooklyn sidewalk,” said Heather Gershen, the director of housing development at the Fifth Avenue Committee, which developed Atlantic Terrace. “It should be diverse in every way.”

Many programs and organizations, including federal, city and state agencies and nonprofits, help finance and develop these buildings. The best known is the Mitchell-Lama program. Begun in 1955, Mitchell-Lama enabled the construction of new low- and middle-income rental and co-op buildings throughout the city.

Another program, run by the Urban Homesteading Assistance Board, works with the city on co-op conversions of buildings taken over from delinquent landlords. Tenants help with renovations and can eventually buy the units for low prices. About 30,000 apartments are in the program, which is administered by the city's Department of Housing Preservation and Development.

Since 2003 the city's Housing Development Corporation has also been partnering with both for-profit and nonprofit developers to create new affordable apartments — 1,767 units in 21 buildings.

The benefits of promoting homeownership in this way extend far beyond the individual owners, said Andrew Reicher, the executive director of the Urban Homesteading Assistance Board.

“In the Lower East Side, in Harlem, in Bed-Stuy,” he said, “these owners stuck it out and struggled to improve their block, and improvements spread from their work. And they are not displaced when the neighborhood turns around.”

Of course, the question for potential buyers is, “How can I get one?” The answer varies by program, but many have narrowly defined criteria and involve a lot of paperwork.



Brian Cronin

Lisa Leung, a procurement consultant, spent a year searching for an apartment for herself and her sister. She looked in the South Slope, Park Slope and Windsor Terrace in Brooklyn, but found nothing appealing in their price range. Eventually she expanded her search and came across an income-restricted development in Bushwick called Bushwick Gardens. Some two-bedrooms there were advertised for just over \$200,000. “The prices were so low, I thought it was a joke,” she said.

Unlike other buildings she considered, Bushwick Gardens had no competitive bidding process. Here it was first come first served. For the apartments Ms. Leung looked at, buyers had to earn more than \$90,000 a year and less than 250 percent of the A.M.I. (\$153,500 for two people).

In October a buyer ahead of Ms. Leung dropped out, and then the vetting process began. She submitted three years of tax returns and statements from all of her bank accounts, her 401(k) and her investments — to qualify, she could not have more than \$141,000 in total assets.

In January she and her sister became the happy owners of a two-bedroom with a terrace. “I like that there is a lot of diversity in the building,” Ms. Leung said.

The building had been planned to encourage diversity. The city and the developer, the Ridgewood Bushwick Senior Citizens Council, determined the price of units for each income level. The goal is to make sure that no one pays more than 30 percent of his income for the mortgage and monthly maintenance combined, said Joan Tally, an executive vice president of the New York City Housing Development Corporation, which provides financing and helps structure these deals.

Buyers of these homes may find unusual financial arrangements. For example, some income-restricted buildings have high maintenance fees. That is because these projects are financed in part by mortgaging the entire building, as with a conventional co-op. Residents pay down the mortgage over time through their monthly maintenance fees.

At Bushwick Gardens, for example, Ms. Leung said the maintenance is about \$1,500 a month for her two-bedroom. But given the low purchase price, she says the apartment is still a good deal.

Buyers hoping to flip these apartments for a big profit will be disappointed. Residents are expected to stay in them for long periods of time. Many of the co-ops require that anyone who sells within four or five years surrender 100 percent of the profits to the building. Those who stay longer return smaller percentages of the profits.

The city also wants to ensure that the units retain their income restrictions, which are often part of co-op bylaws and generally must be maintained for decades.

But some buildings eventually change to market rate. Many older buildings, including some built under Mitchell-Lama, have done just that in recent years. Mitchell-Lama buildings are required to keep their income restrictions for 20 years. After that, the co-op board can vote to change the status, and the underlying mortgage must be paid off, said Jeffrey S. Reich, a partner at the law firm Wolf, Haldenstein, Adler, Freeman & Herz.

Income-restricted co-ops are generally available only by lotteries announced through advertising in newspapers and on the Web sites of the Department of Housing Preservation and Development — which has a list of open lotteries — and associated organizations. Real estate brokers enter the picture only when an apartment is resold, or when the lottery fails to fill all the units, as was the case in Bushwick Gardens.

Often the developer gets the word out through churches and other community groups, said Ms. Gershen of the Fifth Avenue Committee. For Atlantic Terrace, she said, her group received 5,500 applications for 59 apartments. About 2,000 of those cleared the initial screening. Buyers must have stellar credit and stable employment, as they must qualify for mortgages, too.