



THE NEW YORK MODEL – HOW AND WHY IT WORKS TO ADDRESS AFFORDABLE HOUSING NEEDS

April 30, 2025

Cooperative Development Foundation

Affordable Housing Initiative



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SPEAKERS

Moderator

- **Mary Griffin** – Senior Advisor, CDF

Panelists

- **Debbie Bechtel** – Associate Professor of Clinical Law Emerita, Brooklyn Law School
- **Stephen Erdman** – Assistant Commissioner, Homeownership Opportunities & Preservation, New York City Department of Housing Preservation and Development
- **Margy Brown** – Executive Director, UHAB
- **Guillermo Lara** – Shareholder of a Housing Development Fund Corporation (HDFC) in Harlem, New York, and member of the Urban Homesteading Assistance Board (UHAB) Board of Directors



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AGENDA

- Welcome
- High-Level Introduction to NY Model & Legal Background
- Regulatory Framework
- UHAB's Role as Developer & Supporter
- Putting this into Practice
- Final Q&A and Wrap-Up



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CDF AHI

Mary Griffin – Senior Advisor, CDF



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CDF's Affordable Housing Initiative

- Promote the preservation and development of permanently affordable housing through shared equity models (SEH)
- Help educate policymakers, communities and residents about these models
- Demonstrate how shared equity can advance housing stability, racial equity and other outcomes
- Identify policy, financial and technical assistance needs to scale model



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What is Shared Equity Housing?

Community Ownership

Entities or properties in which residents and community members lead in both governance and ownership.



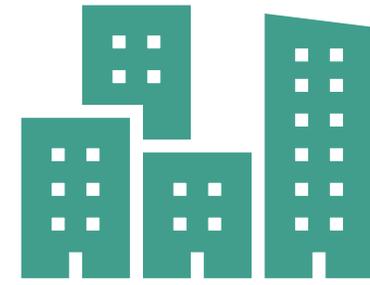
Source: ROC USA, 2020



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Why Shared Equity Housing?



- Provides permanently affordable ownership alternative to rental across country
- Prevents displacement in challenging or gentrifying markets
- Promotes owner-occupancy and supports local workforce needs
- Long-established models with demonstrated benefits for residents and communities – can provide housing stability, advance social and financial equity



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Benefits of SEH

Individual
+
Community

SHARED EQUITY HOMEOWNERSHIP: CLAIMS

Performance Standard	Individual	Community
Affordability	Access to homeownership is expanded for homebuyers of modest means.	Access to homeownership is preserved for future homebuyers of modest means.
Stability	Security of tenure is enhanced. The risks of homeownership are reduced.	Neighborhood stability is increased.
Wealth	Personal assets are enlarged.	Community assets are preserved.
Involvement	Social bonds and collective action are nurtured within shared equity housing.	Civic engagement is expanded outside of shared equity housing.
Improvement	Personal mobility is enabled.	Community development or community diversity is promoted.



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Share Equity Housing Models



- Limited Equity/Affordable Cooperatives
- Community Land Trusts with affordable housing
- Resident-Owned Manufactured Home Community Cooperatives



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Limited Equity/Affordable Cooperatives



- Affordable housing legally designated to provide housing to low- and/or moderate-income residents
- Collectively owned by their residents (or “shareholders”)
- Shareholders commit to reselling their shares under a limited-equity formula
- Democratically governed, cooperatively stewarded

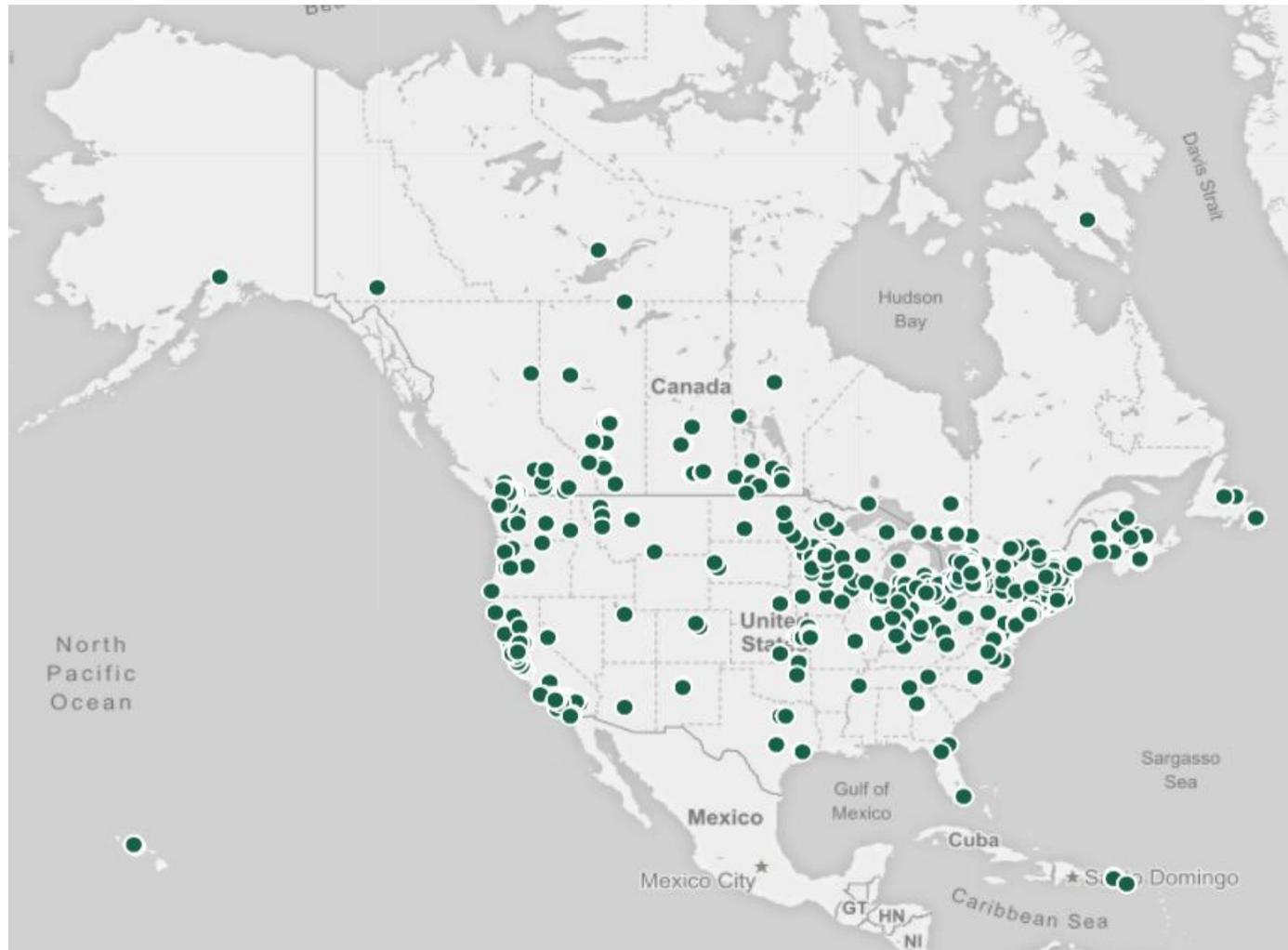


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Limited-Equity Housing Cooperatives

190,000 in US; 67,000 in Canada



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CLT and affordable housing

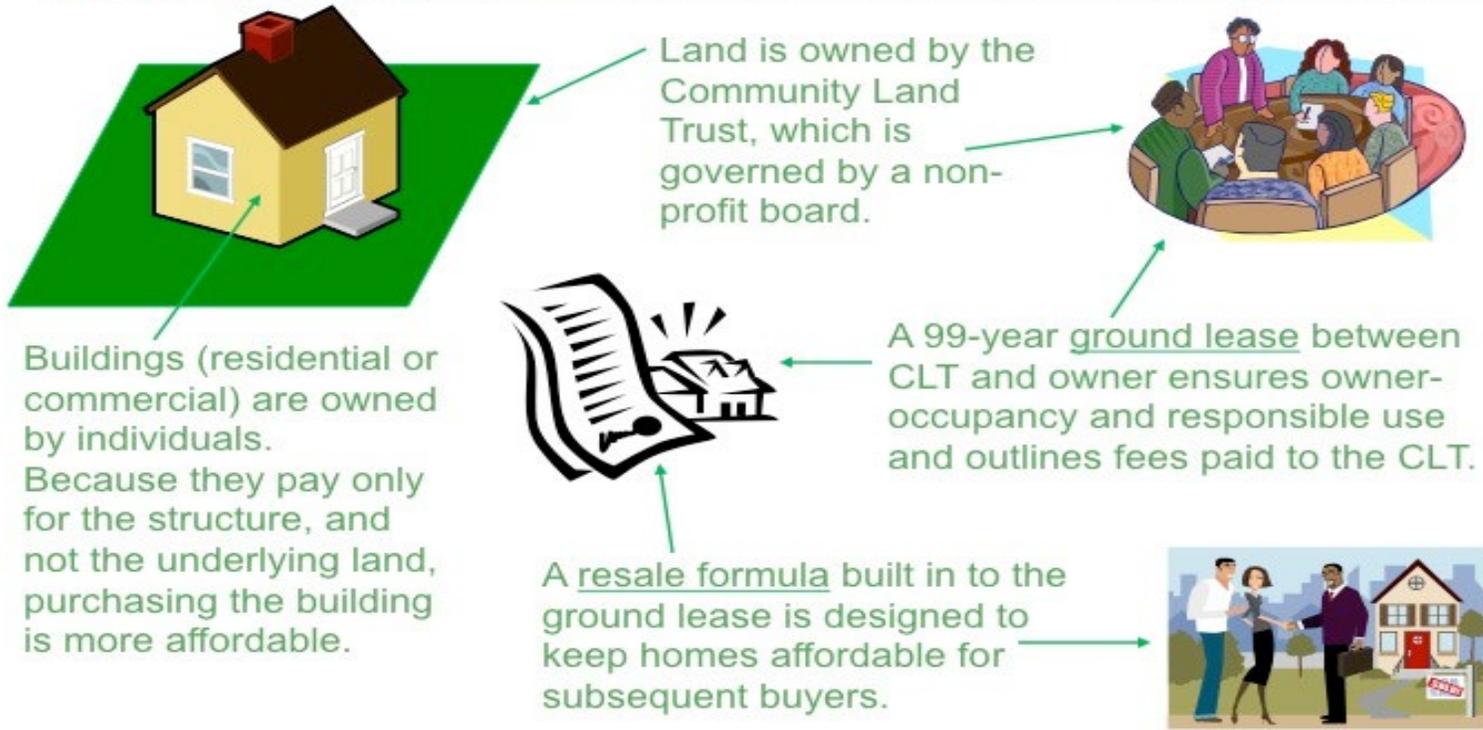
- A CLT is a non-profit organization whose primary mission is to develop and steward land and properties for the benefit of lower income community members.
- Family/individuals purchase house (or entity buys multifamily building, coop) that sits on land owned by the community land trust.
- The purchase price is more affordable because the homeowner is only buying the house, not the land.
- The homeowners lease the land from the community land trust in a long-term (often 99-year), renewable lease.
- The homeowners agree to sell the home at a restricted price to keep it affordable in perpetuity, but they may be able to realize appreciation from improvements they make while they live in the house.



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Community Land Trusts: *How do they work?*



Prevalence of Community Land Trusts/SEH



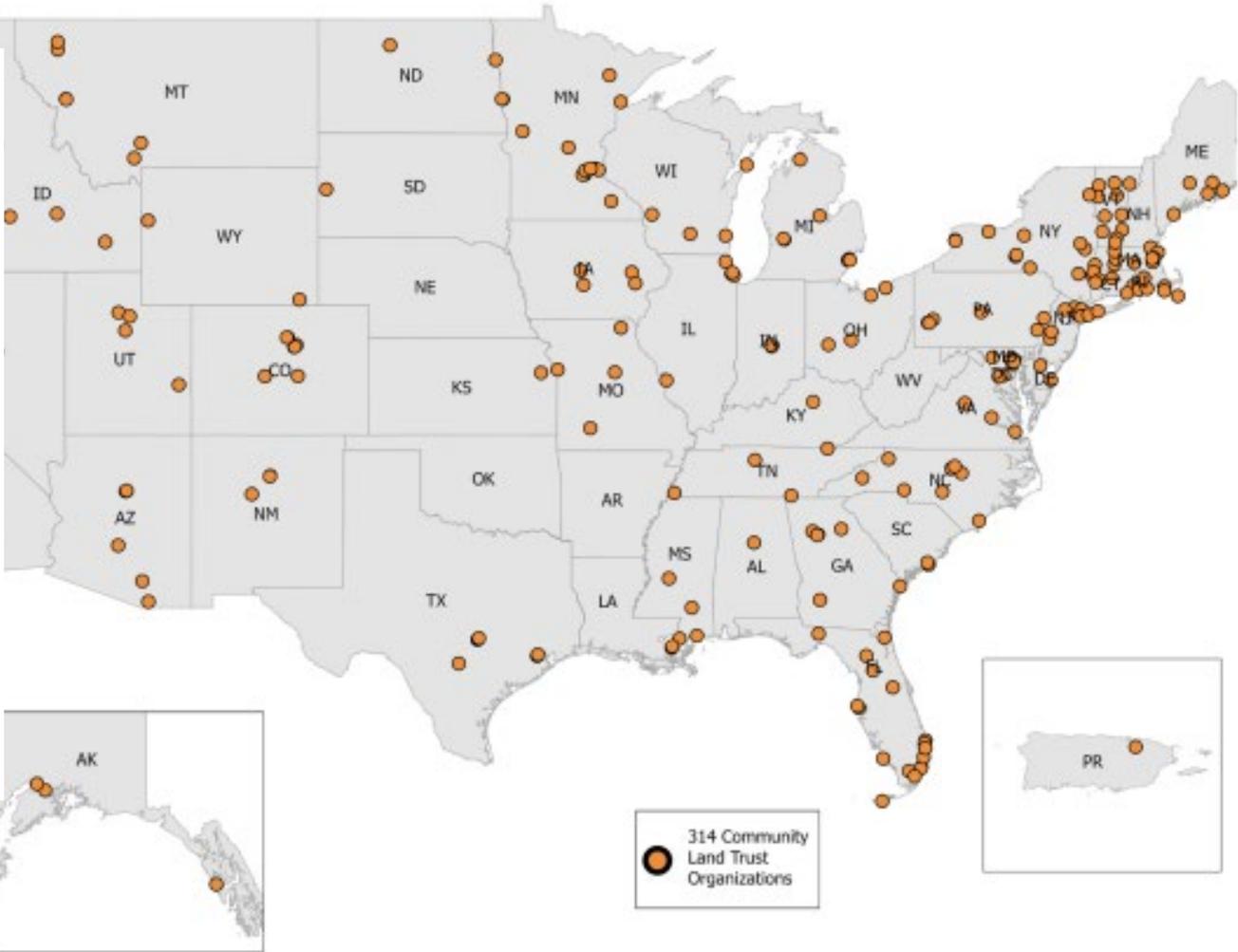
53%

of survey responders reported shared equity homes are taxed below their fair market value.



87%

of the households who purchased shared equity homes were first-time homebuyers.



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Source: [The 2022 Census of Community Land Trusts and Shared Equity Entities in the United States](#) | [Lincoln Institute of Land Policy](#)

Community Land Trust + Limited Equity Cooperative

CLTs and LECs work together with shared common goals and under a wide range of housing typologies and ownership structures.

Mission Alignment: Housing Affordability



CLT entity owns the land and an LEC entity owns the housing, with a shared purpose of maintaining affordability in perpetuity.

Community Governance & Participation



Community members are involved in decision-making processes and include deep engagement from residents.

Advocacy & Resource Sharing



Shared skillsets between CLT and LEC members, including technical expertise and coalition-building.

Credit: Chul Gugich, LeSar Development



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LEGAL UNDERPINNINGS

Debbie Bechtel – Associate Professor of Clinical Law Emerita,
Brooklyn Law School



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WHY Government is involved in Housing Co-ops

Generally a housing cooperative is a building owned by a corporation which sells shares to potential residents whose rights to a particular unit are set out in a long-term “proprietary lease”.

STATE INVOLVEMENT:

- **Governing formation of corporations.** States may govern what approvals are needed to form corporations, how their purposes may be limited, what the certificate of incorporation might include, etc. (general categories: business corporations and not-for-profit corporations)
- **Governing what information the public deserves when corporate shares are offered to them.** States want to make sure that prospective purchasers have enough information to make a decision.
- **Governing operation of corporations.** States normally want to dictate things like shareholder proxy rights, special meeting procedures, document inspection rights, board of director duties.



Special Purpose Corporations

- State Legislatures may create special types of corporations, sometimes to be used in conjunction with general business corporation or not-for-profit corporation laws.
- State Legislatures may also specifically define what a housing cooperative is and how it should operate. Roughly 25 States have done this, but most do not specifically define "limited equity Co-ops"

New York City Housing Co-op History

- 1916 Finnish Homebuilding Association pooled funds and constructed housing owned by individual not-for-profit corporations
- 1955 Mitchell Lama passes. (Later -1991 - a buyout process is added) Note: Surcharge if income exceeds initial limit, waitlist process, quite limited re-sale formula
- 1966 Article 11 of the Private Housing Finance Law is passed

Municipal Involvement

City government may be involved in:

- Selling properties to low-income cooperatives
- Providing real estate tax exemptions
- Providing loans
- Promulgating regulations to interpret statutes (like Mitchell Lama)
- Requiring regulatory agreements in connection with real estate tax exemptions or loans

Mixing these tools/statutes

- Basic tools----like a business corporation statute or a not-for-profit corporation statute-- might be combined to create a way of owning and operating shared equity housing that housing advocates have given a name to.

Examples: **Mutual Housing Associations**

Community Land Trusts

Co-housing

- You may not see State laws that are title with those words, but **State laws may be combined to facilitate these models.**
- You'll hear a bit more about Community Land Trusts later, but from a legal point of view, a not-for-profit corporation is formed as a sort of umbrella over individual buildings, some of which may be co-ops formed under a business corporation law.

NEW YORK STATE SPECIFIC

Corporate Formation and Operation – NYS Business Corporation Law (“BCL”)

Disclosures for Purchasers of “Real Estate Interests” –NYS General Business Law sec. 352-eeee

- Amplified by State Regulations – New York State Regulations part 18

Corporations with the Special Purpose to operate housing for low or moderate income people:

- Private Housing Finance Law Article 11 (HDFC’s) - ~30,000 units
- Private Housing Finance Law Article 2 (Mitchell Lama) – ~65,000 units
- Private Housing Finance Law Article 5

Definition of “housing co-op” – None in state statutes. There is a condo statute

Hierarchy of Legal Restrictions on Co-ops

STATE STATUTES

- General business corporation law
- Co-op Corporation law (sometimes limited equity specific)
- "Blue Sky" disclosures for consumers (offering plans)

REGULATIONS (Sometimes)

- Detailed operational requirements --- Mitchell Lama example

CORPORATE DOCUMENTS AND REGULATORY AGREEMENTS

- Deed
- Regulatory agreement with the City or State
- Certificate of Incorporation
- Mortgage
- Proprietary Lease
- By-laws
- Board policies and house rules

REGULATORY FRAMEWORK – HPD'S ROLE

Stephen Erdman – Assistant Commissioner, Homeownership
Opportunities & Preservation, NY HPD



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NYC's Affordable Cooperative Housing

Two Primary Housing Types:

1. Housing Development Fund Corporations (HDFCs):

- >25,000 homes in >1,200 buildings, Average size: 20 units
 - Vast Majority Preservation (rentals to cooperative ownership)
 - Some new construction – prior Cornerstone and current Open Door Program

2. Mitchell Lama Co-ops

- 69,000 co-op apartments; developments ranging in size from 100 – 15,000 units
 - Large-scale developments built from 1955 to 1981
 - Approximately, 63,000 co-op units remain affordable today



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Affordability & Stewardship

- The **goal** is to protect affordable housing forever; the **challenge** is that ‘forever’ is a vague concept...
- Therefore, HPD **layers** affordability protections to increase the odds that restrictions survive ‘forever’:

Ground Lease

CLTs Projects Only: 99 years and renewable; empowers the CLT to enforce affordability and other restrictions *in addition to* HPD. Also requires CLT to provide additional supports as part of its stewardship functions.

Regulatory Agreement (i.e., for rent stabilization, tax exemption)

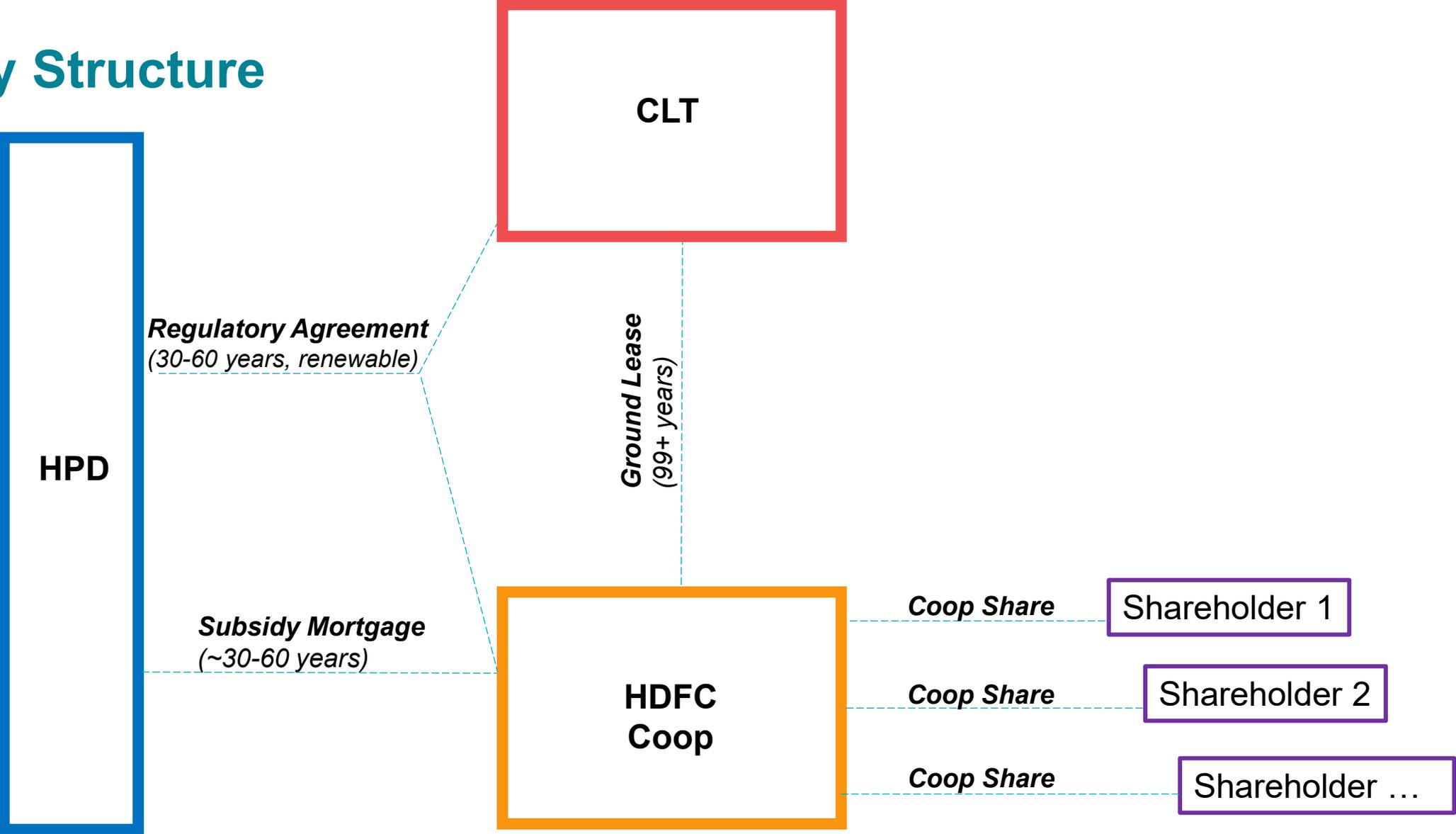
Most HPD Projects: Enter into Regulatory Agreements, which provide *initial 30-60 years* of specific affordability restrictions. When the initial period expires, owner can extend for another 30-60 years or repay full balance of any HPD balloon mortgage + interest and begin paying property taxes (creates hook for permanent affordability).

Housing Development Fund Corporation (HDFCs)

Most HPD Projects: Are owned by “HDFCs,” which by their corporate purpose are required to use their property for affordable housing. Coops are HDFCs.

Rental subsidies and state/federal subsidies used on HPD projects also have affordability requirements, but they are often are not as stringent as HPD’s requirements in the Reg Agreement and do not last as long.

Example: Regulatory Structure



Current Major Programs

Affordable Neighborhood Cooperative Program (ANCP)

- Pays to gut rehab city-owned, occupied rental buildings.
- Existing residents below 80% AMI eligible to purchase their homes for \$250. Price is \$2,500 for those above 80% AMI.
- Existing residents who can't afford monthly coop maintenance needed to cover building's M+O are offered Section 8.
- Vacant typically sold at prices based on mortgages affordable to 80% AMI households.
- City provides roughly \$500k/unit to pay for rehab, relocation costs during construction, coop reserves, etc.
- Residents approve designs/finishes and other major project decisions, and they participate in training curriculum during construction.

Open Door

- Finances new construction of multi-family coops and 1-4 homes
- Sales typically affordable between 60%-110% AMI
- City typically provides between \$200-400k/unit to pay for construction.
- Most projects are on vacant, City-owned land conveyed for \$1. Projects on private sites are difficult to finance due to high acquisition costs in NYC and limited homeownership financing sources.
- Open Door projects are often combined with the CLT model.

NY HOUSING DEVELOPER AND CO-OP SUPPORT

Margy Brown, Executive Director



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Co-op Development

- Since 2002, UHAB has developed 100 buildings with close to 2,000 homes
- Conversion of distressed rental buildings to healthy affordable homes
- Our work is as much about people development as real estate development
- Resident engagement and choice is key
- The vast majority become co-ops; some become affordable rentals



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Stewardship of Co-ops

Regular Operations

- Physical
- Financial
- Legal

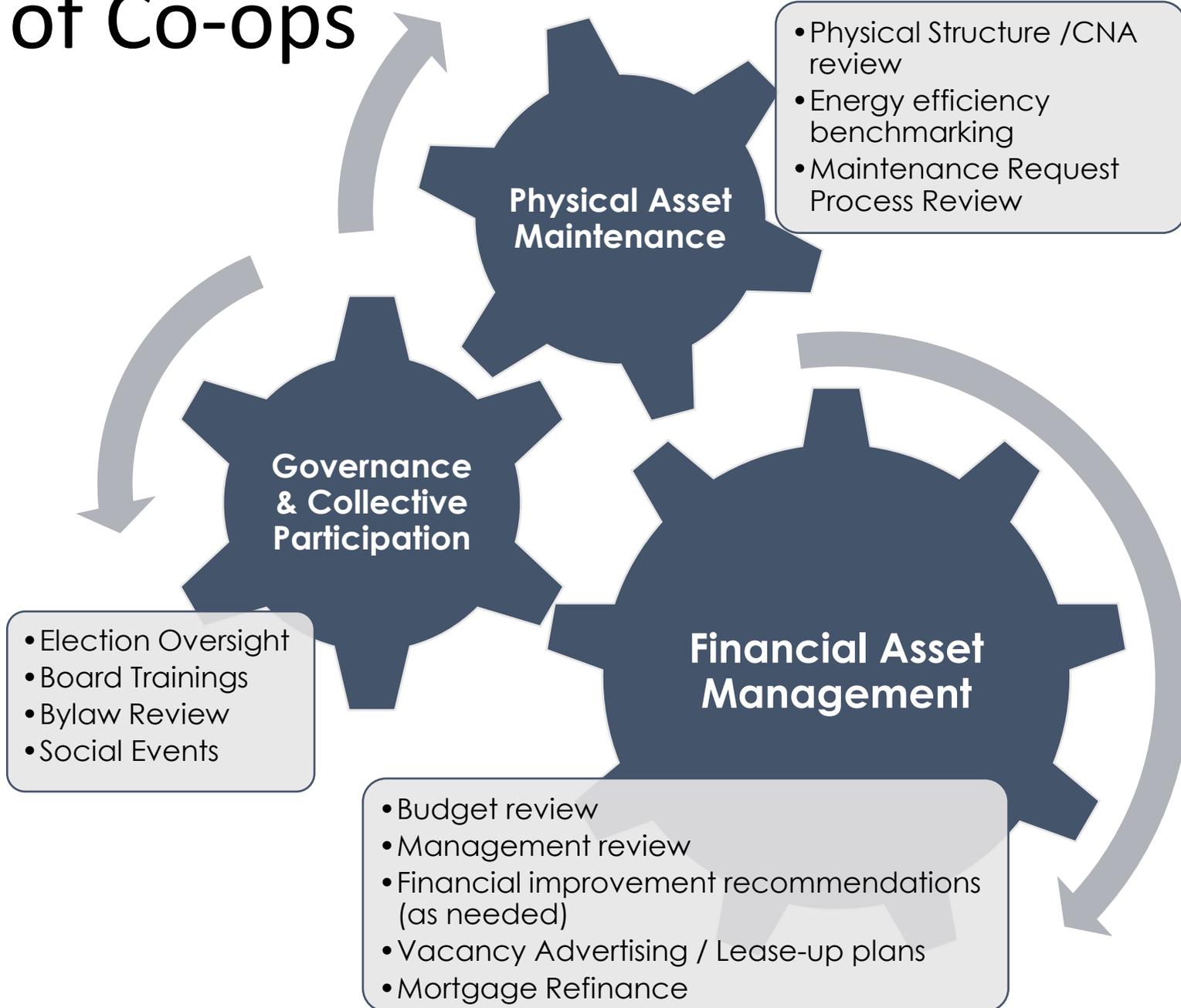
Underlying Needs

- Long-term Planning
- Clear & Consistent Communication
- Information Repository
- Reliable Backstop

- Election Oversight
- Board Trainings
- Bylaw Review
- Social Events

- Budget review
- Management review
- Financial improvement recommendations (as needed)
- Vacancy Advertising / Lease-up plans
- Mortgage Refinance

- Physical Structure /CNA review
- Energy efficiency benchmarking
- Maintenance Request Process Review



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Training

- Ongoing education is an essential part of co-op
- UHAB runs free and open trainings for existing co-op shareholders almost every weeknight on over 80 different topics, including:



Self Management vs. Third Party Management	Shareholder Participation & Engagement	Corporate & Regulatory Compliance
Understanding Management Reports	Effective Board Meetings	Accounting & Bookkeeping for Treasurers
Setting & Increasing Maintenance Fees	Shareholder Rights & Responsibilities	Noise, Smoke & Pets: Handling Resident Issues
Cost Containment Strategies	Election Policies & Procedures	Housing Court 101
Sales of Shares	Board Ethics	Wills & Estates
Tax Benefits for Co-ops	Conflict Resolution	Who fixes what?



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Co-op Monitoring & Technical Assistance

- Oversight of corporate and regulatory compliance
- Ongoing outreach and education on new regulations and incentives affecting co-ops
- Financial management, budgeting and bookkeeping services
- Tailored board and shareholder trainings
- One-on-one, on-call technical support



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Co-op Improvement Program

- Troubleshooting physical and financial distress with intensive, tailored intervention
- Work collaboratively with shareholders and board on structured workout plans
- Assist with assessing repair needs and securing low interest loans
- Help co-ops explore renewable energy and electrified heat

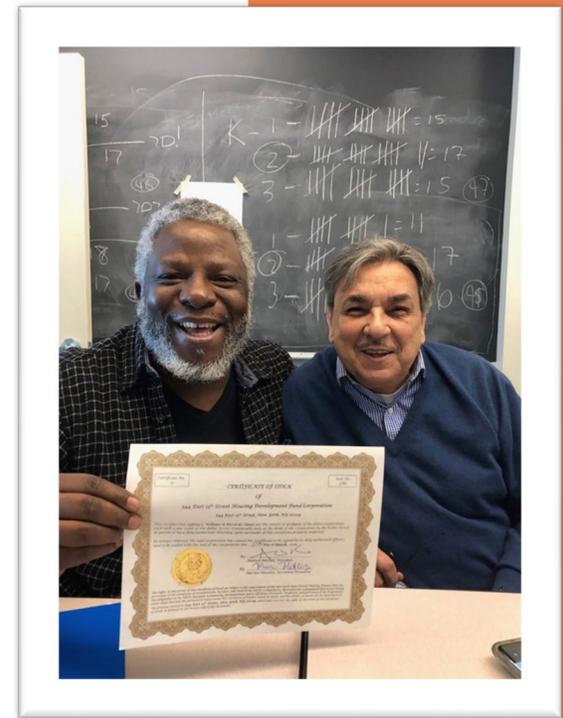


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Share Loans

- Traditional mortgage products are not appropriately sized or priced for affordable co-ops
 - Cash purchases are often the only option
 - Banks' lack of familiarity with co-op model results in unfavorable rates
 - Creates inequities in who can purchase
 - Creates risk to co-ops' financial stability
- UHAB created our own CDFI:
 - Provides home loans exclusively to purchasers in affordable co-ops
 - Offers smaller sized, low-cost loans
 - Designed to fit the needs of LMI borrowers and affordable co-ops

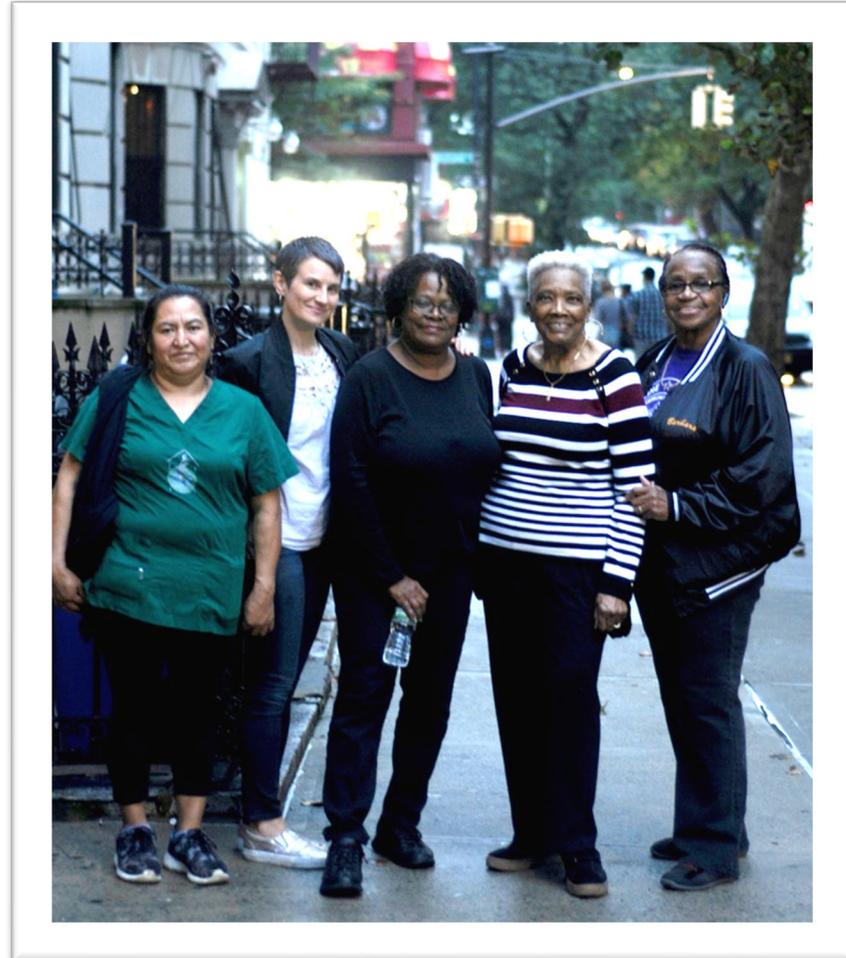


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Creating Cooperation Among Cooperatives

- Bulk purchasing of fuel and insurance to contain co-ops' largest costs
- Knowledge sharing, peer-to-peer learning and support
- Fostering community
- Building community power and advancing collective political interest



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Tenant & Community Organizing

- Empowering rental tenants to fight for their rights and gain control of their housing
- Building community leadership and power



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A SHAREHOLDER'S PERSPECTIVE

Guillermo Lara – HDFC Shareholder and UHAB Board member



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From a Shareholder's Perspective

**CDF Affordable Housing
Initiative Webinar 04/30/2025**

Shareholders / cooperators effectively contribute to develop their coop and achieve affordable housing by putting into practice the cooperative principles

Voluntary and Open Membership

Democratic Member Control

Member Economic Participation

Autonomy and Independence

Education, Training, and Information

Cooperation Among Cooperatives

Concern for Community

Get Educated, Trained, and Informed about your Coop!

Governing Documents

- **Certificate of Incorporation**
- **By-Laws**
- **Proprietary Lease**
- **Regulatory Agreement**
- **Mortgages**

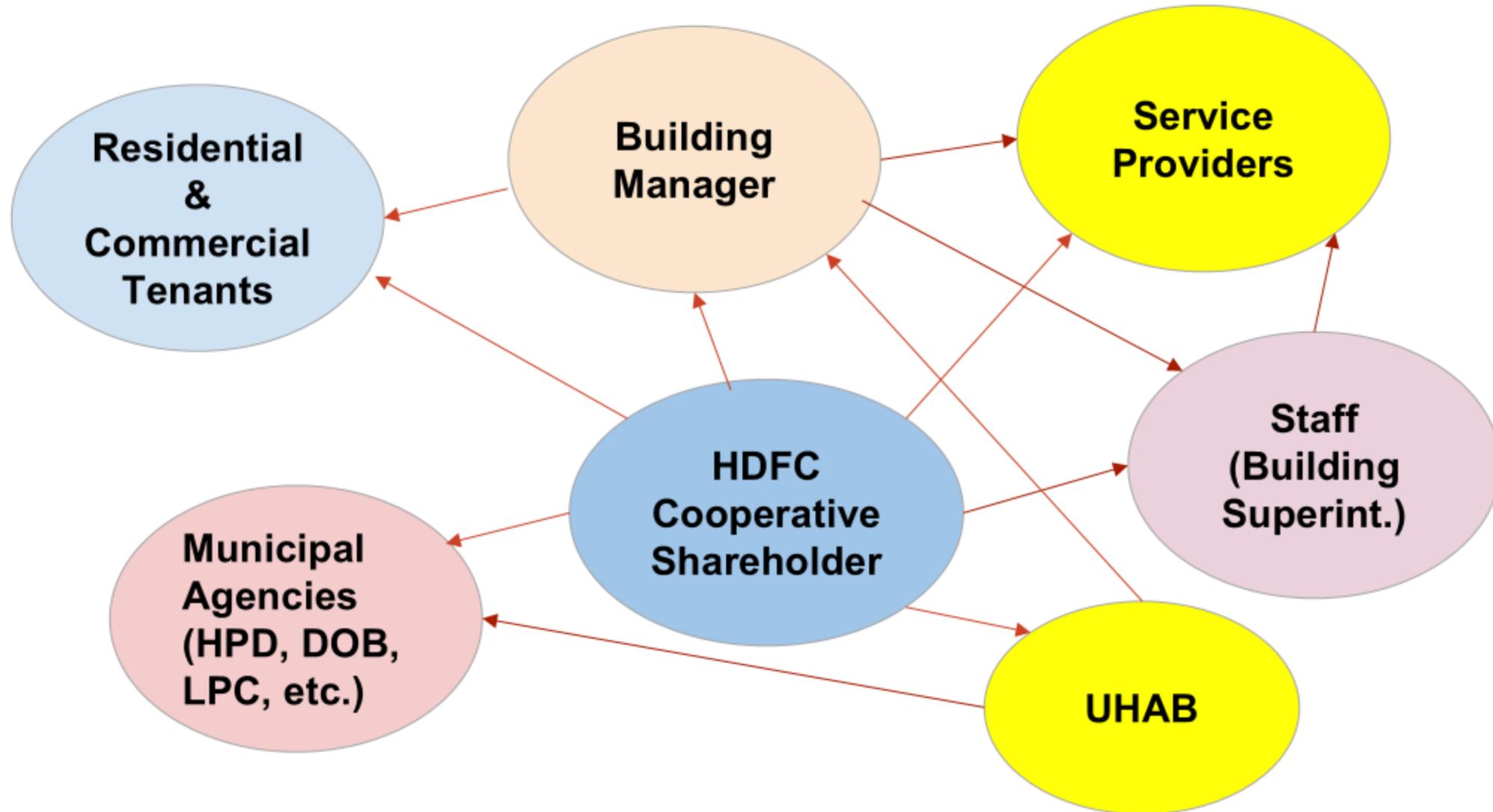
Financial Documents

- **Monthly Financial Reports**
- **Proposals, Contracts, Invoices**
- **Independent Audit Reports**
- **Federal tax filings**
- **Local Laws**

Statistics & Budgets

- **Actuals Vs. Projected Figures**

Education, Training, and Information Environment



Numbers tell the story: OPERATING CASH FLOW SUMMARY

DESCRIPTION	Actuals / Budget
<i>Total REVENUE / INCOME (Maintenance, residential rent, commercial rent, etc.)</i>	
<i>- Total OPERATING EXPENSES (Heating oil, electricity, water, insurance, professional services, staff, etc.)</i>	
<i>- Total DEBT SERVICE Expenses & Reserve Allocations</i>	
<i>NET Operating CASH FLOW</i>	

Q & A



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RESOURCES



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RESOURCES

- "[CO-OPerate! Limited Equity Housing Cooperatives, A Model Providing Permanent Affordability](#)" - booklet published by The New School, Parsons
- "[New York City Low-Income Cooperatives: A Guide for Practitioners](#)" by Debra Bechtel



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