NEW YORK CITY COMPTROLLER
BRAD LANDER

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Audit Report on the Department of Housing Preservation and Development's Administration of the Affordable Neighborhood Co-operative Program

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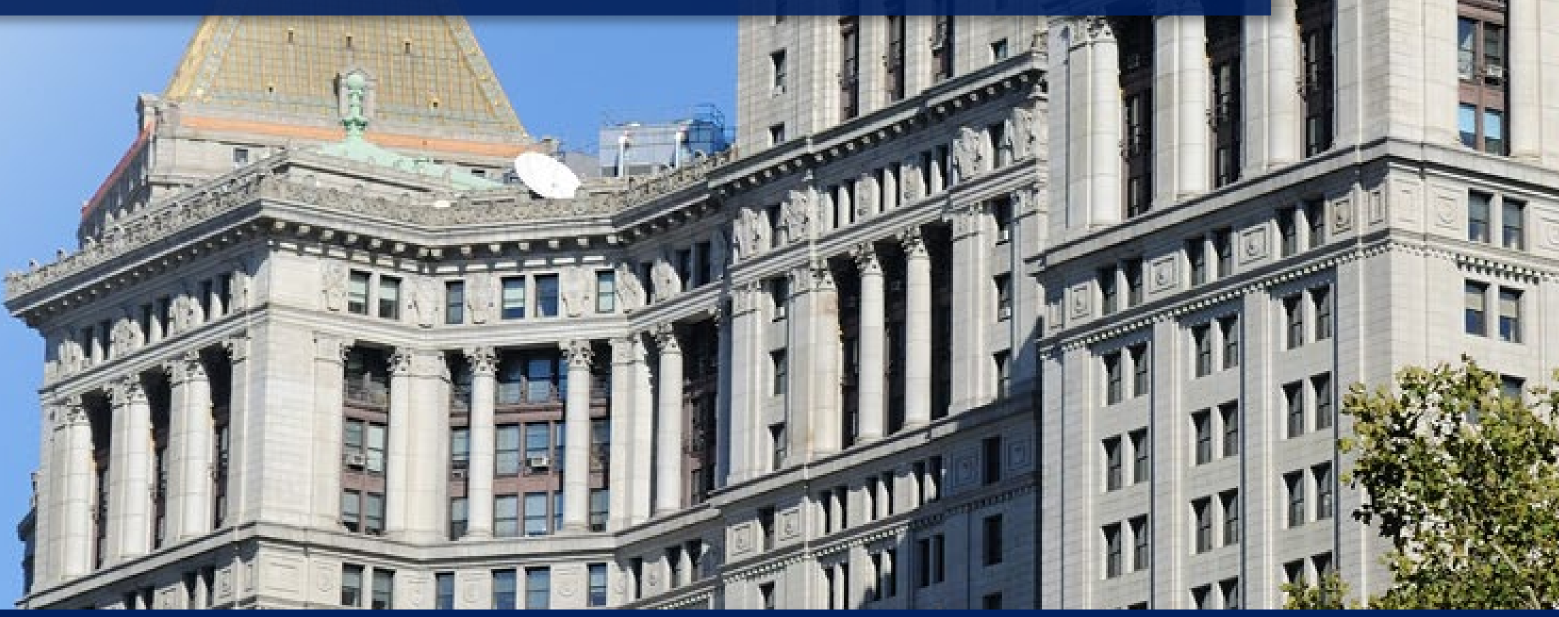

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THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

February 6, 2025

To the Residents of the City of New York,

My office has audited the Department of Housing Preservation and Development (HPD) to assess the effectiveness of the Affordable Neighborhood Co-operative Program (ANCP) in creating affordable co-ops for tenants of buildings in the Tenant Interim Lease (TIL) Program.

While ANCP provides a pathway to home ownership for low- and moderate-income households through the conversion of TIL buildings to co-ops, the number of buildings that have completed the process is very low. Since the program began in 2012, only 13 (16%) of the 81 buildings that entered the program have been converted to co-ops, and each of those buildings experienced significant delays, ranging from 15 to 87 months beyond the benchmarks established at the program's inception. In addition, of the buildings waiting to convert, 40 percent have not yet been assigned developers so the needed rehabilitation has not yet started. Various reasons account for the delays, including difficulties relating to staff, financing, and finding developers. However, one major impediment to HPD's ability to effectively identify and mitigate delays is the absence of a centralized tracking mechanism, hindering the agency's ability to comprehensively identify or dismantle systemic obstacles experienced during the conversion process.

The audit found that the maintenance charges for converted ANCP buildings fell within the U.S. Department of Housing and Urban Development's (HUD) affordability standards. To help ensure that buildings remain affordable to target households, financially solvent, and in a state of good repair after conversion, HPD enters into regulatory agreements with the boards of converted co-ops. However, the audit found that HPD did not adequately ensure that co-ops submitted audited financial reports and related documents and that maintenance fees are increased to meet the needs of the buildings, as required by those agreements.

The audit makes eight recommendations in total. HPD agreed to implement eight recommendations in its response to the draft report.

The results of this audit have been discussed with HPD officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

Brad Lander
New York City Comptroller

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Audit Impact

Summary of Findings

The goals of the Affordable Neighborhood Co-operative Program (ANCP) are met when the New York City Department of Housing Preservation and Development (HPD) rehabilitates and converts buildings that had been part of the Tenant Interim Lease (TIL) Program into economically self-sufficient, low-income cooperatives (co-ops).[1] However, since 2012, only 16% of buildings that entered the program have been converted to co-ops and all conversions significantly exceed the timing benchmarks established by HPD. In addition, 40% of buildings waiting to convert have not been assigned developers and are still waiting to join the program.[2]

HPD cited several reasons for delays, (i.e. shortage of staff and difficulties with securing financing); however, one key contributing factor for the delays is that HPD lacked a centralized mechanism that would allow the agency to identify or dismantle systemic obstacles experienced during the conversion process.

Some tenants interviewed and surveyed by auditors expressed concern regarding the monthly maintenance fees incurred by tenants after building conversion, but the audit found that the monthly maintenance charges for converted ANCP buildings still fell within the U.S. Department of Housing and Urban Development's (HUD) affordability standards. Moreover, HPD made efforts to help facilitate and promote affordability (e.g. by assisting with Section 8 applications, obtaining funding from public sources, and ensuring that vacant apartments are sold to outsiders).

However, despite the important goals of the program and the unique pathway to affordable homeownership it offers tenants, very few buildings have been converted and very few program participants now own their apartments. This is because of lengthy delays in the conversion process. HPD advised auditors of changes it has made to the program and intends to make in the future.

Intended Benefits

This audit identified areas for improvement in HPD's conversion of buildings into affordable housing so that all program participants can own their own apartments within a reasonable timeframe.

[1] Co-ops are a distinctive form of housing ownership that differs from condominium ownership, single-family ownership, and renting. Owners of co-ops are referred to as "shareholders" because they have purchased shares in a cooperative corporation that owns real property. Shareholders elect a Board of Directors annually to make decisions about the co-op. The Board of Directors is legally obligated to act in the best interests of the shareholders and is responsible for ensuring the financial well-being of the co-op, as well as compliance with the law and regulatory restrictions placed on the property, including income, re-sale, and subletting retractions.
[2] These numbers are as of April 2024.

Introduction

Background

Program History

In 1978, the TIL Program was created to provide a pathway to home ownership in City-owned buildings by helping organized Tenant Associations (TA) develop economically self-sufficient, low-income co-ops.[3] Under the terms of the TIL program, the City agreed to make needed capital repairs in TIL buildings. This was to be funded 100% by City capital (HPD). Upon completion of renovations, each unit within a TIL building would be sold to existing rental tenants for a set price of $250 per unit. Under the program rules, rental tenants would become owners and shareholders of residential co-ops and would pay a maintenance fee to the newly formed co-op.

According to HPD, some co-ops struggled to thrive under TIL (governance, financial viability, as well as physical distress) and as a result, HPD began to plan reforms for the program. Officials stated that these struggles were exacerbated after the housing market crash in 2008, when financing became scarce and HPD was unable to move ahead with capital repairs. HPD sought financing from the Mayor's Office of Management and Budget (OMB) to continue the TIL program but was unable to obtain it. Instead, OMB advised HPD to restructure the TIL program, which HPD did in 2012. This restructure resulted in the establishment of ANCP; ANCP's goal is to fully rehabilitate City-owned properties managed by TIL and convert them into affordable co-operatives for low-and moderate-income households.

HPD stated that rent and maintenance fees are set at levels that are intended to ensure buildings have sufficient income to support healthy operations after co-op conversion, while also ensuring that residents' monthly payments are affordable (i.e. not more than 30% of a household's monthly income, per HUD guidelines) for a family earning no more than 40% of the Area Median Income (AMI), which during 2024, was approximately $62,000 for a family of four.[4]

ANCP was created strictly for buildings previously designated as TIL participants; no new buildings were to be developed under ANCP. As of 2012, when ANCP was created, there were 126 buildings that had not been converted under TIL that were waiting to convert under ANCP. (A list of all 126 buildings is presented in Appendices 1, 2, and 3.) As of October 2024, 13 conversions have been completed.[5]

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[3] A TA is an unincorporated association with elected officers formed by and including as members the tenants of at least 60% of the occupied units in a building with which HPD executes a Tenant Interim Lease. The purpose of the TA, among other things, is to maintain and manage the building by providing safe and sanitary housing accommodation for the tenants; collect rents; lease vacant apartments; maintain certificates of deposit, checking, or savings accounts for the benefit of the City; and keep records in accordance with HPD's policy.

[4] AMI is the midpoint of income distribution within a specific area. In other words, half of the area's households have income above that figure and half below it. "Low income" is between 51% and 80% of AMI, while "moderate income" is between 81% and 120%. For 2024, the income threshold for a family of four is $124,240 (80% of AMI) for low-income households, and the threshold is $185,360 (120% of AMI) for moderate income households.

[5] For the construction of new cooperative or condominium development, HPD has established the "Open Door" program, which is targeted to moderate to middle-income households, at levels substantially higher than ANCP, ranging from 80% to 130%, or 110% to 130% on privately-owned sites. There is no publicly released data on the number of units that have been constructed under this program.

Comparison Between TIL and ANCP

When ANCP replaced the TIL program, the approach taken by HPD also changed. Under TIL, for example, the City covered the cost of capital repairs, but according to HPD, the repairs were not substantial and resulted in only partially repaired buildings being passed on to the new owners. TIL, in line with preserving affordable housing and ownership, aimed to help eligible tenants in city-owned buildings become owners of their apartments through the development of low-income cooperatives. The ANCP program was designed to provide the new owners with gut rehabbed buildings.

According to HPD, ANCP also includes affordability protections for converted co-ops in the form of Regulatory Agreements that are stricter and offer greater protection to tenants than those under TIL, as well as fiscal guidelines in the form of enforcement mortgages.[6]

Replacing TIL with ANCP was intended to allow more buildings to move through the pipeline to create affordable housing (by hiring private developers), while encouraging tenant decision-making and setting up co-ops for financial success (by providing extensive training to the tenants, allowing them to voice their concerns, and offering them greater input during the conversion process). A comparison of some of the key components of the two programs are shown in Table I below. (A more detailed breakdown of the comparison is shown in Appendix 4.)

[6] An enforcement mortgage is a legal action a lender takes to recover debt when a borrower defaults on mortgage payments.

Table I: Comparison Between Buildings Converted Under TIL and ANCP

Category	TIL Co-op	ANCP Co-op
Scope of Work	Initially, no rehab to moderate rehab; scopes expanded in later years as buildings deteriorated	Substantial or gut rehabs for all buildings
Primary Funding Sources for Co-op Conversion	City subsidy, residents' sweat equity, and partial tax exemption.[7]	City subsidy, New York State subsidy, sales proceeds and, in some limited cases, private permanent mortgages, and full property tax exemption.[8]
Cost to Purchase Apartment for Existing Residents	$250	$250 for insiders whose household incomes are at or below 80% AMI $2,500 for insiders whose household income is above 80% AMI
Maintenance Fee	Yes—maintenance is set to cover building operating expenses	Yes—maintenance is set to cover building operating expenses and make private debt service payments, if applicable

ANCP Costs and Financial Structure

The cost to existing tenants to purchase their renovated unit under ANCP is $2,500. However, tenants whose household income is less than or equal to 80% of AMI and who are current in their rent payments are eligible to participate in a payment plan allowing tenants to pay $250 upfront, and the project sponsor to set aside a portion of their regular rent payments to make the remaining $2,250 to meet the total $2,500 purchase price. For a TIL building to be eligible for ANCP, TAs must collect rent in a timely manner, submit monthly financial reports to HPD, and hold annual elections. In addition, 80% of tenants must (a) be current in monthly rents, (b) attend all eight homeownership classes, and (c) agree to purchase a unit.

ANCP finances the rehabilitation of projects through low-interest City Capital subsidy loans (up to $700,000 per unit), private construction and permanent financing lenders, New York State Affordable Housing Corporation (AHC) or Affordable Housing Opportunity (AHOP) programs, and sales proceeds generated from unit sales.[9] Shareholders in newly converted ANCP co-ops pay monthly maintenance fees, which are monthly charges for the upkeep, repair, and operations of

[7] A program that the City had in the 1970s and 1980s where in exchange for labor performed by prospective tenants, the City offered one percent interest rates on 30-year mortgages for the gut rehabilitation of abandoned city-owned buildings.
[8] According to HPD, it tries to avoid private debt as much as possible.
[9] The building's mortgage consists of a private bank loan (the converted construction loan) and a combination of the HPD loan and State grants (capital subsidy). The difference between the two is that the private bank loan will be paid down over 30 years (amortized) by a portion of the monthly maintenance fees and any lease payments if the building has commercial space. Payments of the HPD loan (capital subsidy loan) are deferred for the life of the regulatory agreement.

the building, and are structured to cover building operation expenses, and put money into reserves for future capital or operating needs. The maintenance fee also includes the cost of servicing the mortgage that the building took out to cover the costs of the conversion process. An ANCP co-op is required by the HPD regulatory agreement to increase the maintenance fee by a minimum of two percent each year to cover rising costs; however, the co-op's board has the authority to raise it by more than two percent, depending on the operating costs of the building.

ANCP maintenance fees follow federal housing affordability standards. According to HUD, housing programs in the United States measure affordability with reference to percentage of income applied to housing costs. Since 1981, a 30% threshold has been the standard for federally subsidized housing, and it has evolved as the standard for owner-occupied housing as well. Keeping housing costs below 30% of income is intended to ensure that households have enough money to pay for other nondiscretionary costs; policymakers consider households that spend more than 30% of income on housing costs to be housing cost burdened.[10]

Households are eligible for Section 8 assistance based on household income (as defined by HUD regulations).[11] Section 8 may be available to cover maintenance charges if those charges exceed 30% of the tenants' monthly household incomes.

HPD enters into a 40-year regulatory agreement with co-ops that have been converted.[12] [13] At the end of the 40-year term (or at any point leading up to it), co-op shareholders may choose to reengage with HPD to pursue a new regulatory agreement and tax exemptions (to extend affordability requirements beyond the initial 40 years).[14]

ANCP Conversion Process

The ANCP conversion process is comprised of four phases:

- *Developer Designation:* HPD selects and matches a qualified developer with a cluster of buildings for development.[15]
- *Pre-Development:* The budget for construction is established, financing is obtained, scope of work is defined, and tenants are temporarily relocated.
- *Construction:* Buildings are under construction; and tenants attend co-op homeownership training.

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[10] Some examples of non-discretionary costs include rent, mortgage, utilities, groceries, minimum debt payments, insurance premiums, medical, and transportation expenses.

[11] Created by the Housing and Community Development Act of 1978, the Housing Choice Voucher program (a subsidy that is also known as Section 8), assists eligible low- and moderate-income families with rentals and home ownership in the private market. Eligibility is based on a family's gross annual income and family size.

[12] A regulatory agreement is a contract between the co-op and the City of New York that outlines certain restrictions and legal requirements with the aim of ensuring continued affordability for the co-op. The minimum period for these restrictions is 30 years following the date of conversion.

[13] By nature of being a Housing Development Fund Corporation (HDFC) co-op, the co-op must also comply with affordability requirements in Article XI of the New York State Private Housing Finance Law (NYS PHFL) for as long as it is incorporated.

[14] Shareholders also have the option to forgo HPD's affordability requirements, begin paying full property taxes, and repay the HPD Loan (which required no payments up to that point). HPD believes that few co-ops will elect the latter option, but even if they do, because they are HDFC co-ops, they would still be bound by statutory affordability requirements in Article XI of the NYS PHFL, which is a 40-year property tax abatement that allows the co-op building to maintain a lower monthly maintenance fee.

[15] Developers oversee the development and construction of selected sites; coordinate property management responsibilities; ensure successful conversion of the buildings to cooperatives; market any vacant units in accordance with HPD marketing guidelines; and engage with existing tenants as related to property management and achieving milestones for co-op conversion.

- *Marketing and Conversion:* Vacant units are sold to outsiders who meet eligibility criteria, through public lottery; co-op ownership is transferred to shareholders. (TIL residents have already become co-op owners under ANCP during this phase.)

According to the benchmarks HPD established at the inception of the program, the process from pre-development to completion of conversion should take approximately 48 months (four years) per project.[16]

Before a building joins ANCP, HPD informs tenants of the redevelopment plan for the building and the various phases of the process. A minimum of 80% of the existing tenants in a building must agree to purchase their units to convert the building to a cooperative.[17] Buildings may opt out of the program at any point in the process by submitting this in writing to HPD. If this happens, the building is removed from the cluster and the building's rehabilitation is put on hold. The building will remain in TIL until it can either be assigned to another ANCP cluster for rehabilitation or assigned to a Multi-Family Preservation Loan Program (MPLP) as a rent-stabilized rental building, pending rehabilitation.[18]

If an individual tenant decides not to purchase, they can remain in the apartment as a rent-stabilized tenant, rather than an owner. In this situation, the rent will be restructured, based on affordability standards, to cover the cost of building maintenance, reserves and operations, and instead of maintenance, the resident will pay a preferential rent.[19] Non-purchasing tenants may also qualify for Section 8 so that they pay only 30% of their household income towards rent.

According to HPD, no new buildings (that are not currently part of TIL) are able to join the ANCP. In addition, HPD confirmed that the ANCP will end when all current TIL buildings are renovated and converted to co-ops, which HPD anticipates will occur within the next eight fiscal years.

Objective

The objective of this audit was to assess the effectiveness of ANCP in creating affordable co-ops for tenants of buildings in the TIL program.

Discussion of Audit Results with HPD

The matters covered in this report were discussed with HPD officials during and at the conclusion of this audit.[20] An Exit Conference Summary was sent to HPD and discussed with HPD officials at exit conferences held on September 27, 2024 and October 2, 2024. On November 25, 2024,

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[16] According to HPD, the initial benchmarks were re-evaluated and officials concluded that they were unreasonable.
[17] HPD utilizes a more stringent benchmark (80% agreement from existing tenants) than is required by the Martin Act, (a New York law that prohibits fraud and misrepresentation in the sale, purchase, and public offer of securities and commodities), which requires 51% agreement from tenants.
[18] HPD's Multifamily Preservation Loan Program (MPLP) designates qualified sponsors to purchase and rehabilitate certain vacant and occupied multi-family properties to improve and preserve housing affordable to low- to moderate-income households.
[19] Preferential rent is when a landlord charges a tenant less than the legally allowed rent for an apartment. Landlords may offer preferential rent to attract or retain tenants. It's common in rent-regulated buildings, especially those that are rent-stabilized.
[20] In its response to the Draft Report, HPD argued that it did not see a complete version of the Comptroller's findings before the report was issued. That is not a true statement. All issues in the report were discussed with HPD during the audit, as well as at the exit conference. In addition, all relevant information provided by HPD after the exit conference was included in the report and changes were discussed with HPD.

we submitted a Draft Report to HPD with a request for written comments. We received a written response from HPD on December 13, 2024. In its response, HPD generally agreed with all of the audit's recommendations. Disappointingly, however, HPD disputed any responsibility for significant delays in the conversion process.

HPD's written response has been fully considered and, where relevant, changes and comments have been added to the report.

The full text of HPD's response is included as an addendum to this report.

Detailed Findings

When HPD successfully converts TIL buildings, the goals of ANCP are generally met. However, lengthy delays have greatly hindered the effectiveness of the program. Completion benchmarks set by HPD have been routinely exceeded at every stage of the process, and as a result, very few buildings have been converted to affordable co-ops, and very few program participants now own their apartments.

When ANCP was created in 2012, there were 126 TIL buildings expected to be converted under ANCP, and the initial benchmarks anticipated completion within 48 months from the beginning of the process.[21] HPD subsequently re-evaluated its benchmarks and now states that it assigns benchmarks based on the needs of each individual project. Since 2012, 81 of the 126 TIL buildings have begun the ANCP conversion process and 13 have been converted to co-ops. Conversion for all 13 buildings significantly exceeded the benchmarks established by HPD, with delays ranging from 15 to 87 months, for conversion processes that ranged from 6 to 11 years.

In addition, of the 113 buildings still awaiting conversion, 45 (40%) have not yet been assigned developers, and needed rehabilitation work has not yet started.[22] A total of 1,851 units are located in the 113 buildings, with units representing individuals or families for whom homeownership has been delayed—802 (43%) of these units are located within 45 buildings for which rehab has not even begun. The remaining 1,049 units are waiting for conversion. The building waiting the longest entered TIL in September 1997 and has been waiting to be assigned a developer since 2012 (the inception of ANCP). In the meantime, HPD continues to incur the costs of maintaining TIL buildings until conversion occurs. From 2021 through 2023, these costs totaled $31.6 million.

While HPD cited several reasons for delays—including a shortage of staff, difficulties with securing financing, resident coordination/relocation, construction, and developer capacity/reassignment—many of the reasons are common, known, and otherwise established or routine parts of the process. HPD should therefore plan for and attempt to address these delays before projects are effectively left in bureaucratic limbo.

One major contributing factor hindering the ability of HPD to effectively identify and mitigate delays with the ANCP conversion process in a timely manner is that HPD lacks a practical centralized mechanism for tracking and reviewing key performance indicators—including the number of unresolved issues, how long the issues have remained unresolved, the specific delays, and how long it took to resolve the issues that led to the delays. As a result, HPD cannot comprehensively identify or dismantle systemic obstacles experienced during the conversion process. This limits its ability to deploy resources, offer meaningful oversight and assistance, and recognize trends and devise solutions to mitigate delays in future projects.

Tenants interviewed by auditors, as well as tenants and TAs who responded to the audit's satisfaction survey, expressed frustration with certain aspects of the program. Survey respondents cited concerns regarding the cost of the building's permanent mortgage and its impact on the monthly maintenance fees incurred by tenants after building conversion. These seem to stem from the tenants' belief that there are very different conditions in effect for the ANCP compared to when they joined the TIL program.

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[21] HPD provided auditors with updated benchmarks for 16 of the 126 buildings, with 60 months as the targeted benchmark for completion. 15 of the buildings were in different stages of conversion; one was already converted.

[22] Eleven of the 45 buildings started ANCP process, but HPD later opted these buildings out of ANCP for non-compliance with program requirements and returned them to TIL for future consideration.

However, the maintenance fees under ANCP, which are calculated at 40% of AMI, remain affordable under HUD's affordability guidelines. Moreover, under ANCP, tenants are taking ownership of fully gut renovated units rather than partially repaired units.

The audit also found that for buildings converted under this process, HPD did not adequately enforce the regulatory agreement requirement that co-ops submit audited financial reports and related documents, annually. Similarly, HPD did not enforce the mandatory two percent annual maintenance increases.

HPD advised auditors of changes it has made and intends to make in the future to address some of the findings above. These are outlined below, along with further details of findings.

Converted ANCP Units Are Affordable, Per HUD Guidelines

To determine the overall affordability of converted ANCP buildings—and the program's effectiveness in creating and maintaining affordable units—the auditors examined the residents' overall costs, measured the affordability of ANCP units, and compared ANCP maintenance charges to TIL rents, as well as to AMI.

The audit found that converted ANCP buildings were affordable, per HUD guidelines. Although residents' maintenance charges exceeded rents previously paid under TIL, these amounts still fell within the U.S. Department of Housing and Urban Development's (HUD) affordability standards.

HPD also pointed out other efforts to increase affordability for ANCP residents. For example, HPD stated that the vast majority of residents qualify for Section 8 housing vouchers—which help offset the cost of monthly maintenance fees—and HPD assists tenants with obtaining Section 8 vouchers. Additionally, all of the buildings in the marketing phase were funded primarily via public debt, thus increasing affordability for residents.

Under ANCP, vacant units are also sold to non-tenants at affordable prices to income-qualified households via the City's affordable lottery (Housing Connect), allowing buildings to generate additional revenue and help pay down debt and reduce expenses. Of the 19 buildings that had entered the marketing phase as of April 2, 2024, the auditors found that more than half (58%) of the units in these buildings were vacant and could therefore be sold at higher prices through Housing Connect. The rest of the units (42%) were occupied by existing tenants and were sold at the insider rate ($250 or $2,500, depending on financial circumstances).

Proposed Maintenance Charges Fall Within HUD Affordability Standards

According to HPD, rents paid by residents remain unchanged while their buildings undergo renovation. Once a building converts, residents no longer pay rent but instead pay maintenance fees, which are higher than the rents they were previously paying as tenants. To determine the extent to which monthly housing expenses would increase when residents began paying maintenance under ANCP, auditors obtained from HPD the TIL rental amounts and proposed ANCP maintenance fees for the 19 buildings that were in the marketing and conversion phase as of April 2, 2024. Auditors calculated the differences in rents and proposed maintenance fees by using the highest and lowest TIL rents in each building and compared these amounts to the highest and lowest proposed maintenance fees.

Based on these calculations, the difference between the lowest TIL rent and the lowest proposed maintenance fees ranged from $389 to $959 per month (a percentage increase of 147% to 400%). The difference between the highest TIL rent and the highest proposed maintenance fees ranged from $426 to $1,074 per month (77% to 344% increase). Auditors verified that the proposed maintenance fees did not exceed 40% of AMI.

Auditors also attempted to ascertain the actual out-of-pocket increase for residents of the 13 converted buildings, but HPD did not have the prior rents paid for those buildings, many of which entered the program several years prior. Nonetheless, HPD did provide auditors with the actual initial average maintenance fees charged under ANCP for the 13 buildings that converted at the date of conversion. Based on the AMI during the respective years that the buildings converted, the auditors calculated the dollar threshold limit for monthly maintenance fees (40% of AMI) and compared the amounts to the actual maintenance fees charged at the date of conversion for each building. The analysis revealed that the actual average maintenance charges under ANCP fell well below the affordability threshold set at 40% of AMI. On average, the maintenance fees were 62% below the threshold, ranging from a low of 51% at one building to 75% at another one. (See Appendix V for details)

HPD Made Efforts to Assist with Housing Affordability

To assist households in paying the proposed maintenance charges, HPD pointed to the following efforts: assisting with Section 8 applications, obtaining funding from public sources, and ensuring that vacant apartments are sold to outsiders.[23] Each of these, whether individually or in combination, help facilitate and promote affordability.

Section 8 Voucher Program Assists Tenants with Proposed Maintenance Charges

HPD pointed to the Section 8 voucher program as one option to assist tenants with proposed maintenance charges. HPD has staff to help tenants obtain Section 8 vouchers by sending letters to tenants reminding them to fill out the applications, attempting outreach efforts (i.e., visiting buildings and conducting meetings) when tenants don't submit the applications, and helping tenants fill out the applications and obtain required information to qualify for Section 8. (See Appendix 6 for the household income requirements for the program.)

HPD provided the auditors with the family size, composition, and household income ranges for 74 households that applied for Section 8 subsidies at 19 buildings in the marketing phase.[24]

The incomes for these 74 households ranged from $4,170 to $140,933. Based solely on the auditors' review of the data provided, 70 of the 74 households qualified for Section 8 subsidies. The incomes for the 70 households reviewed by auditors ranged from $4,170 to $82,372 per year,

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[23] Households earning between 81% to 120% AMI are considered "moderate income". Households earning between 51% AMI and up to and including 80% AMI are considered "low income." According to the ANCP brochure, as of October 11, 2024, vacant units are sold at sales prices affordable to households earning between 80-120% AMI. According to HPD, projects can target the lower end of that range, and the price of the unit sometimes ends up being affordable to households earning less than or equal to 80% AMI, when considering the final sales price, monthly maintenance, prevailing interest rates, insurance costs, and utilities.

[24] HPD did not provide income information for those tenants who did not apply for Section 8.

meaning that the maximum amount per month that these households would be required to pay for their housing would range from $104 to $2,059.

The other four tenants were deemed ineligible for Section 8 because they were in higher income brackets that exceeded the amounts allowed under Section 8. The incomes for these households ranged from $85,725 to $140,933. Using HUD's affordability requirement, households should pay no more than 30% of their monthly income on household expenses (rent and utilities), which for these four households would be $2,143 to $3,523. The auditors found that this was indeed the case, with the highest proposed maintenance amount ($1,386) falling well below the 30% benchmark for the above-mentioned incomes.[25]

HPD stated that tenants whose incomes exceeded the Section 8 threshold or other available rental assistance programs may remain in the co-op as rent-stabilized tenants, with a preferential rent that they are able to afford. HPD also said that certain tax credits and exemptions are also available to residents who do not qualify for Section 8.[26]

Projects in the Marketing Phase Were Primarily Publicly Funded

Development in ANCP is financed by both public and private debt, as well as the sale of occupied and vacant units. Additionally, if the units are income eligible, the building/cluster can receive New York State Affordable Housing Corporation (AHC) or Affordable Housing Opportunities Program (AHOP) grant funding to finance the building.[27] HPD Enforcement loans and grant funds do not have to be repaid as long as the building maintains its affordability; in general, the more public funding a project receives, the more affordable it is for residents.

As of April 2024, 19 projects were in the marketing phase (meaning co-op ownership is transferred to shareholders, and vacant units are sold through public lottery). HPD has since consolidated some of the 19 buildings, resulting in 16 projects. Auditors found that each of the projects had more than half of the rehab funding come from public financing through HPD and through grants. HPD loans ($87,275,770), combined with grant funds ($9,445,000) comprised 73% of total funding ($132,113,356), with 66% percent of the total funding stemming from HPD financing. The remaining funds were derived from private loans (1%) and sale proceeds of apartments (25%). (See Appendix VII for a complete list of these buildings and a breakdown of funding sources).

According to HPD, these amounts reflect the projected financing source amounts. Officials stated that several of these projects will have significant changes in the final financing amounts to convert to cooperative and that these changes may not be known until conversion.

In response to advocates' and elected officials' concerns regarding the debt on ANCP co-ops, HPD modified the terms of the debt for the program, reducing the interest that accrues on the

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[25] Tenants who do not qualify for Section 8 are still able to afford to purchase the converted apartments at lower rates than what is offered to the public - $2,500.

[26] Tax credits may include the Senior Citizen Homeowners Exemption (SCHE) and the Disabled Homeowners Exemption (DHE) programs, both administered by the New York City Department of Finance. Exemptions may include the Senior Citizen Rent Increase Exemption (SCRIE) and Disability Rent Increase Exemption (DRIE), which are both available to eligible shareholders of Housing Development Fund Corporation (HDFC) co-ops.

[27] New York State Affordable Housing Corporation (AHC) creates homeownership opportunities for low- and moderate-income families by providing grants to governmental, not-for-profit, and charitable organizations to help subsidize the cost of newly constructed houses and the renovation of existing housing. Grants are not made directly to individual homebuyers or homeowners; however, they help subsidize the price of the home for the homebuyer. The Grantees are responsible, in turn, for ensuring that the homebuyers or homeowners are income qualified and otherwise eligible recipients of funds under the Program. Restoring Communities is the designated Grantee that will apply for the grant on behalf of the shareholders.

loan principal from 1% to 0%, effective Fall 2022. HPD debt also has $0 monthly payments if the co-op complies with HPD's requirements (such as affordability restrictions), and the debt term can be extended if the co-op signs a new regulatory agreement before the end of the initial 40-year term (such that HPD debt never comes due). HPD stated that this information was communicated to residents at multiple meetings that were hosted from 2022 onward.

The Permanent Loan amount on a building, which is the building's mortgage, consists of the private bank loan, as well as a combination of the HPD loan and public funding such as AHC and AHOF. The private bank loan will be paid down over 30 years (amortized) by a portion of the monthly maintenance and any lease payments in the event the building has commercial space available. The HPD portion of the loan does not need to be repaid, provided that the co-op is in compliance with the terms of the regulatory agreement.

58% of Units in the Marketing Phase Were Vacant, Generating Additional Revenue

Unlike units earmarked for TIL residents, vacant units are sold to outsiders at a higher price, but still at an affordable (at or below 30% of the household's income) price, to income-qualified households via the City's affordable housing lottery (Housing Connect).[28] HPD indicated that selling vacant units to outsiders generates sufficient revenue to allow the co-ops to pay down the building expenses while keeping the costs affordable for the existing owners. For two buildings, sales generated from the vacant units amounted to $633,277 in one building and $1,466,978 in the other.

Auditors looked at the 19 buildings that had entered the marketing phase and found that more than half of the units in these buildings were vacant. According to HPD, all 246 units (100%) in these buildings are earmarked for very low, low, and moderate-income households, with very low- and low-income households comprising the majority of ANCP residents—104 units (42%) are currently occupied by existing tenants and the remaining 142 vacant units (58%) are currently being marketed to outsiders via HPD's housing lottery system.[29] In addition, as described further below, of the 13 buildings that had already converted, the auditors found that 41% of the units in 11 of the buildings were vacant and could therefore be sold at higher prices to outsiders. The remaining units were occupied by existing tenants and were sold at the insider rate ($250 or $2,500—depending on financial circumstances).

Vacant units are sold to outsiders at an amount affordable to moderate-income families (defined per HUD guidelines as those households earning between 81% to 120% of the AMI, which is set at a fixed amount each year) as well as to some low-income families, and not to TIL residents, who purchase the apartments at lower rates.[30] As indicated in Appendix 8, this is consistent in every building, potentially bringing additional revenue to the co-ops.

[28] All units in an ANCP property are subsidized with City Capital funding, whether vacant or occupied, thus providing HPD with the ability to sell them at affordable prices to income-eligible households. Each vacant unit receives approximately $550,000-$650,000 subsidy via public funds, plus additional AHC or AHOP funds from the state.
[29] Very low-income household is defined as a household income of 31–50% of the AMI.
[30] In 2024, the AMI in New York City was $108,700 for a family size of one, $124,300 for a family of two, $139,800 for a family of three and $155,300 for a family of four.

Significant Delays to Homeownership Under ANCP

Although ANCP generally achieves HPD's goals of creating and maintaining affordable housing, since the inception of the program in 2012, only 81 of the 126 TIL buildings have begun the conversion process, and of these, only 13 (16%) have been converted to co-ops. These lengthy delays have greatly hindered the effectiveness of the program. Time benchmarks set by HPD are routinely exceeded and, as a result, very few buildings have actually been converted, and very few program participants now own their apartments. In addition, each of the 13 converted buildings experienced delays.

According to the time benchmarks HPD established for the program, the process from pre-development (when a building first enters the program) to completion of conversion should take approximately 48 or 60 months depending on the project. Had these benchmarks been met, HPD would have converted 69 of the 81 buildings that began the ANCP conversion process.[31] Instead, HPD converted only 13 buildings. The auditors found that the actual conversion process timelines for 13 buildings ranged from just over nearly six years to 11 years for the remaining. The shortest conversion period for one building was 69 months, or 5.75 years. See Table II below.

[31] An additional 12 buildings had not met the 60-month completion benchmark by April 2024—the time that audit testing was completed. However, these buildings were in the pre-development phase and had targeted completion dates ranging from August 2024 through January 2025; therefore, completion by the benchmarks was unlikely, even at the updated 60-month benchmarks.

Table II: Number of Months/Years Projects Exceeded Benchmarks for the 13 Converted Buildings

Building Address[32]	No. of Months by which Benchmark was Exceeded			Total No. of Months (Years) by which Benchmark was Exceeded	Total No. of Months (Years) to Complete the Project (Pre-Development to Co-op Conversion)
	Pre- Development	Construction	Marketing & Conversion		
161 West 108th Street, NY	1	21	3	25 (2.08)	73 (6.08)
107 West 105th Street, NY	13	11	2	26 (2.16)	74 (6.16)
518 West 161st Street, NY	4	4	7	15 (1.25)	75 (6.25)
244-46 Elizabeth Street, NY	-6	10	17	21 (1.75)	69 (5.75)
602 West 132nd Street, NY	33	-11	-1	21 (1.75)	69 (5.75)
847 Fox Street, Bronx	11	0	27	38 (3.16)	86 (7.16)
211 West 147th Street, NY	28	0	15	43 (3.58)	91 (7.58)
508 West 134th Street, NY	9	1	57	67 (5.58)	115 (9.58)
748 Beck Street, Bronx	18	0	52	70 (5.83)	118 (9.83)
46-48 East 129th Street, NY	28	0	48	76 (6.33)	124 (10.33)
3289 Broadway, NY	33	-11	54	76 (6.33)	124 (10.33)
21 Arden Street, NY	56	12	19	87 (7.25)	135 (11.25)
152 East 116th Street, NY	41	31	15	87 (7.25)	135 (11.25)

Moreover, each of the remaining 68 buildings in various phases of the conversion process have exceeded HPD's benchmarks in one or more phases, as indicated in Table III below. Thirty-three of the 68 buildings have already exceeded the expected Pre-Development timeframe by 32 to 73 months, which translates to a median overage of 52.5 months, or 4.3 years. Six of the 16 buildings in the Construction phase have exceeded the target by a median of 24.5 months, or more than two years. Fourteen of the 19 buildings in the Marketing and Conversion phase have exceeded the target timeframe by a median of 12.5 months, or almost a year-and-a-half.

[32] In three buildings (244-46 Elizabeth Street, 602 West 132nd Street and 3289 Broadway), some phases were completed ahead of time. However, the projects as a whole were still late.

Table III: Summary of 68 Buildings Awaiting Conversion that Continue to Exceed Benchmarks

Project Phase and Established Benchmarks[33]	No. of Bldgs. in Phase as of 4/2/24	No. of Bldgs. that Exceeded Benchmarks	Range in Months by which Bldgs. Exceeded Benchmarks	Range in Months by which Bldgs. have been in this Phase
Pre-Development	33	33	32–73	50–91
Construction	16	6	10–39	15–69
Marketing & Conversion	19	14	2–23	3–35
Total	**68**	**53**		

Further review revealed that 12 buildings exceeded the benchmark in all three phases; 13 buildings exceeded the benchmark in two phases; and all 68 buildings exceeded the benchmark in the first phase. In addition, each of the 16 buildings in the construction phase had exceeded the Pre-Development phase by a range of four to 44 months. Each of the 19 buildings in the Marketing & Conversion phase exceeded the Pre-Development phase by a range of four to 32 months; and the Construction phase by a range of one to 12 months.

Additionally, as of April 2024, 45 buildings have not been assigned to clusters or developers, with tenants in these buildings waiting up to 12 years for their buildings to be rehabilitated under ANCP.[34] The building waiting the longest for rehabilitation entered TIL in September 1997 and has been waiting to be assigned to a developer since 2012.

HPD stated that the benchmarks for each phase initially published in the ANCP Brochure cannot be applied to every project and that benchmarks are not uniform. Officials stated that each project is unique, with its own set of challenges.

HPD also stated that timeliness was not the sole factor that should be used when looking at the effectiveness of the program. While the audit acknowledges that the speed of completion is not the only benchmark that should be used to assess the effectiveness of the program, and that there are other standards, such as safety, minimized cost, tenant satisfaction, etc. the rate at which buildings are converted to co-ops is an integral component to achieving the program goals, the problems with timely conversion cannot be overlooked. There are tenants waiting for the City to deliver on its promise of affordable home ownership, and since the inception of ANCP, the housing affordability crisis has only worsened.

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[33] The 48-month benchmark is 12-18 months in the pre-development phase, 18-24 months in the construction phase, and 6 months in the marketing & conversion phase. The 60-month benchmark is 18 months in the pre-development phase, 24-30 months in the construction phase, and 9-12 months in the marketing & conversion phase. Based on data provided by HPD, 53 of the 68 buildings had 48-month benchmarks and 15 buildings had 60-month benchmarks.

[34] HPD had started the conversion process for another 11 TIL buildings, who met the initial requirements. However, once assigned a developer, the buildings did not meet the secondary ANCP requirements, such as: (1) 80% of tenants did not vote to join ANCP, (2) tenants did not sign relocation agreements, and (3) tenants were not responsive to scheduling required meetings. HPD removed these buildings from their assigned clusters and returned them to the TIL program for future consideration. HPD provided evidence of various steps that it took to assist the tenants within the buildings, such as extending the voting deadline, working directly with the TA, meeting with elected officials representing the buildings, reaching out via emails, and directly meeting with tenants of the buildings.

In addition, conversion delays may ultimately impact the ability of other buildings to enter the program, and during the wait, the City is carrying the cost of maintaining buildings awaiting conversion.

According to HPD, the benchmarks that were used for ongoing projects were reevaluated and officials concluded that the original benchmarks were unreasonable. (Officials stated that this reevaluation began prior to the initiation of this audit.) HPD has since implemented a new process in which it establishes benchmarks specific to each project and shares the new benchmarks with the tenants during the pre-development phase.

However, HPD was unable to specify when the new policy for benchmarks was implemented and as of November 1, 2024, the benchmarks had not been updated in the ANCP Brochure listed on HPD's website—which the public uses to access information about ANCP. At the exit conference for this audit, HPD officials stated that, depending on the stage and scope of a project, the agency provides in-person, phone, and/or written updates to tenants of projects when those projects are delayed or have adjustments to their timelines.

When asked whether HPD had a targeted end date of completion for the buildings still going through the conversion process or waiting to join the ANCP, HPD responded that if ANCP continues to receive a similar budget allocation in the coming few years as it has in previous years and faces similar staffing capacity, it is expected that the program will close on construction financing for the remaining clusters within the next five fiscal years and convert all of the buildings into cooperatives within the next eight fiscal years (including those still waiting for developers to be assigned). However, HPD cautioned that those were targets, subject to resident participation, support of City Council, and participation from the development community, including adding new, qualified sponsors.

Limited Evidence that HPD Made Attempts to Mitigate Delays

As administrator of the program, HPD has a responsibility to ensure that the program is effective in converting TIL buildings to co-ops—this includes ensuring that the conversion process is timely and delays are mitigated whenever feasible.

In its response to the Draft Report, HPD argued that the report implied that development-related delays were largely within HPD's "exclusive" ability to mitigate. The report makes no such argument, implicit or otherwise. However, it should be noted that as administrators of the program, HPD has a duty to ensure that conversions take place within a reasonable timeframe. Not only has HPD failed to produce timely projects, it has also not established what would be considered reasonable timeframes for completion.

HPD, as well as developers, stated that a shortage of staff coupled with the City's hiring freeze has been a major contributing factor in the delays and the backlog of projects. Some of the roles impacted by the shortage include staff who interact with developers and tenants; manage the project pipeline (including funding requests for predevelopment and conversion projects); supervise resident communications; oversee tenant engagement and communications; and ensure compliance throughout the entire conversion process.[35]

[35] HPD has acknowledged that from 2020–2023, there was a high level of turnover in HPD, broadly due to the pandemic's aftermath and the effects of the hiring freeze on HPD. The shortage of staff was also cited in a February 2024 report issued by the Comptroller's Office Bureau of Policy and Organizing (*Building Blocks of Change: A Blueprint for Progress of NYC's Housing Preservation and Development),* where the report attributes the accumulation of incomplete projects to the significant loss of staff.

HPD also stated that it ensures that clusters (multiple buildings) are assigned to developers who have the capacity to take on these projects. Overseeing the conversion of all buildings simultaneously would overburden HPD given its limited number of staff.[36]

Other factors were identified by HPD and developers as reasons for the delays, including: (1) developer capacity/reassignment; (2) tenant coordination/relocation; (3) difficulties in securing financing; (4) unanticipated construction issues; (5) squatters; (6) succession rights issues; (7) COVID-19 delays; (8) litigation against HPD; (9) City Council approval delays; and (10) Section 8 delays in processing incomplete paperwork.

HPD provided limited evidence that it follows up on outstanding items to determine whether delays can be mitigated; however, HPD did not provide a timeline indicating when delays were first encountered and when mitigation attempts were undertaken. This hinders the ability of HPD—and the auditors—to assess the effectiveness of mitigation efforts.

Nonetheless, HPD provided some examples of the types of mitigation efforts that have been implemented:

- *Developer capacity*: HPD initially assigned a developer to a project but later assigned a new developer that had the capacity to handle the project.
- *Squatters*: HPD initiated court cases against squatters and was successful in removing them from the buildings so that rehabilitation could commence.
- *Section 8 delays in processing incomplete paperwork*: HPD sent letters to tenants informing them of their eligibility for Section 8 vouchers and the application deadline date. HPD also offered tenants telephone assistance in filling out the Section 8 applications and contacted its Division of Tenant Resources (DTR) for assistance with Section 8 voucher subsidies for the projects.
- *Tenant coordination/relocation*: HPD visited buildings and held meetings with TAs and tenants to address their concerns about the relocation process.

The auditors asked HPD to provide the following information for a sample of 54 buildings expected to be converted that had experienced delays in the process: (a) reasons the buildings exceeded benchmarks in various phases of the project; (b) assistance, if any, that HPD had provided to mitigate the delays or facilitate the process; and (c) supporting documentation. However, HPD replied that it was a voluminous request, involving a lot of time and work on their end and instead offered general reasons for delays (i.e., job vacancies, hiring freezes, project age, and current project managers who lacked in-depth knowledge, etc.). In its initial response to the sample of 54 buildings, HPD cited “multiple reasons” to explain the delays and provided no evidence that the agency had done anything to mitigate the delays.

HPD subsequently asked the auditors to select a smaller sample of projects to review in detail. In response, auditors judgmentally selected 19 projects and asked HPD to provide evidence of actions taken to mitigate delays. Auditors initially requested this evidence for the 19 projects in October 2023. After encountering numerous delays from HPD to provide the evidence, auditors later reduced the request to 10 projects and met with HPD’s Executive Director of Home Opportunities & Preservation in January 2024 to review the reasons for the delays and HPD’s efforts to help resolve those delays. Over the course of the subsequent five months (ending in June 2024), HPD provided other evidence of the steps taken to mitigate delays. However, those steps pertained to only a portion of the delays identified. At the exit conference for this audit,

[36] HPD Building Clusters refer to specific groups of buildings or properties managed by HPD. Clustering buildings provides an economy of scale for each project, resulting in an overall reduction of development cost, and allows ANCP to rehabilitate more buildings at one time.

where auditors shared the results of its analysis with HPD, officials asserted that they gave us evidence for only what they believed to be “the most significant delays.” (Auditors did not include such a limitation in its request for evidence of the agency’s mitigating efforts, nor did HPD indicate that the evidence pertained to only the “most significant delays” in its submissions of the requested materials.) After the exit conference, the agency provided additional evidence (consisting of hundreds of pages of documentation) of other efforts taken to mitigate delays.[37]

The results of the auditors’ review of additional documentation show that seven projects were delayed by factors that depended on entities other than HPD taking certain action—such as the Mayor’s Office of Management and Budget (OMB) approving an increase in the budget, or the Department of Buildings (DOB) issuing certificates of occupancy. At the exit conference, HPD pointed to its interagency coordinator at its Division of Building and Land Development Services, as well as a Get Stuff Built plan (unveiled in December 2022 by the Mayor’s Office—a plan to secure affordable housing in an expedited manner) as evidence that it has implemented a plan of action for dealing with these types of delays. Because this information was supplied so late in the process, the auditors have been unable to evaluate the effectiveness of this plan.[38]

Other recurring factors include identifying developers with capacity for handling projects, shortage of staff, and squatter issues—all three are common and known factors to the agency, which is why it is imperative to plan on mitigating these delays. HPD provided no evidence of innovation to address the most common and predictable causes of delay. This is a missed opportunity.

According to HPD, it is extremely expensive to pay for quality, energy-efficient gut rehabs, heavily subsidized relocation costs, and offer $250 or $2,500 purchase prices to existing residents. Officials stated that funding resources are limited, and if HPD financed more ANCP projects at one time, it would have fewer resources for other critical housing work given the agency’s capital budget.

HPD Does Not Have a Centralized Mechanism to Track and Review Delays

In meeting its responsibilities as administrator of ANCP, HPD should be aware of the systemic obstacles experienced during the conversion process as soon as possible so that it can speedily resolve them when feasible. However, HPD does not have a comprehensive dashboard to capture “at-a-glance” key performance indicators, such as the number of unresolved issues, how long the issues have remained unresolved, the specific delays, and how long it took to resolve the issues that led to the delays. The agency is therefore unable to easily identify information such as detailed reasons regarding specific delays encountered or the steps taken by HPD to minimize those delays.

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[37] In its response to the Draft Report, HPD disagreed that it only provided limited evidence that the agency attempted to mitigate delays, referencing the documentation provided after the exit conference as evidence. However, a significant portion of the documentation provided by HPD were either materials that had been provided previously or were not demonstrative of delay mitigation efforts (e.g., general City Council Hearings). For documentation that did show mitigating efforts, HPD did not indicate when such efforts were made in relation to when delays were first encountered, hindering an assessment of the timeliness and effectiveness of those efforts.

[38] In its response to the Draft Report, HPD took exception to this sentence, arguing that it is unfair to assert that HPD had “no such proof” of efforts to mitigate delays if the auditors chose not to fully review the documentation provided by the agency. The auditors carefully reviewed every document provided during the audit, even when it was provided after protracted delays by HPD. Moreover, this statement refers exclusively to the “Get Stuff Built” plan provided HPD.

Auditors reviewed HPD's electronic systems of record for ANCP, which include HPDWorks, a database capturing significant project milestones. HPDWorks is used primarily for collecting data. In addition, auditors viewed the shared drive (separate from HPDWorks) where HPD maintains a total of 18 folders for each individual project.[39]

However, neither provides an efficient and effective way for HPD to identify at any one time the total number of unresolved issues, how long the issues have remained unresolved, or an ability to track the delays. Consequently, HPD cannot determine—except by researching the specifics of each individual project—how long it took to resolve the issues that led to the delays. As indicated earlier, officials needed to go through each individual project file to provide the details of the project—a laborious and cumbersome process, as evidenced by the multiple delays on the part of HPD to provide requested information for this audit.

HPD indicated it needed a significant amount of time to respond to auditors' request for information concerning the original sample of 54 projects, and HPD still needed three months to provide the requested information for the reduced sample of 10 (these were requested on October 20, 2023, and the last materials in the initial submissions were not provided until January 18, 2024. As stated previously, after the exit conference, HPD provided additional materials—hundreds of documents—which the auditors subsequently reviewed.) This reinforces the conclusion that HPD's current tracking and record retrieval system is inefficient.

As previously mentioned, HPD's high rate of staff turnover raises further concerns. According to HPD, project managers employed five years ago are no longer with the agency, each project can potentially have several project managers assigned to it, and current project managers do not have in-depth knowledge of the older projects. As of February 2023, there were vacancies in six of the 13 positions (46%) within the unit responsible for the conversion process.

HPD stated that many of the projects in the 10-building sample requested by the auditors were started under former project managers. Without a centralized mechanism to track and review the reasons projects are delayed, upper-level management is hindered in its ability to determine the statuses of all ongoing projects at a specific point in time, and the agency is limited in its ability to properly plan, even in situations where recurring factors and delays are known.

A centralized mechanism such as a dashboard would also be helpful in bringing new staff up to speed on ongoing projects and provide insight into consistent delay points which, over time, can be used to improve the functioning of the program.

HPD informed auditors that it previously requested $34 million for the development of a Housing Project Management System (HPMS), but OMB had not approved the request. According to HPD:

> HPMS would serve as an integrated technology platform that would allow HPD to digitize its project management throughout the development lifecycle. The system would allow for a digitized system from intake through completion and asset management. A digitized system would improve various manual and analog processes, make data and analytics more available, accurate, and accessible, and significantly enhance the customer experience of working with HPD. It would also be able to track aggregated resident-level information (such as where residents are relocated) across the program.

To address these issues, in July 2024, Governor Kathy Hochul, Mayor Eric Adams, and NYC Comptroller Brad Lander announced a $500 million dollar investment from the Battery Park City Authority's (BPCA) Joint Purpose Fund to build and maintain affordable housing across New York

[39] Files are uniformly organized per project.

City. (The process of securing these resources began prior to the start of the audit.) Through an agreement between the BPCA, the Mayor, and the Comptroller, the BPCA will disburse $500 million in excess operating funds to New York City's Affordable Housing Accelerator Fund for the purpose of building affordable housing, a portion of which may be allocated to make critical upgrades to the agency's housing finance and development technology.[40]

With such a tool, HPD could more efficiently deploy resources, enhance operations, offer meaningful oversight or assistance, and determine where its resources might be most effectively used. In addition, HPD would be better able to recognize trends and devise solutions to mitigate delays in future projects.

Negative Impacts of Delays

Conversion delays negatively impact both HPD and tenants. Until conversion occurs, HPD is responsible for covering a variety of expenses under the TIL program, such as utilities (fuel, public area utilities, and gas), storage fees for relocated tenants, and repairs (roof and boiler repairs, mold removal, façade stabilization and court ordered repairs). According to HPD, the cost of overseeing the unconverted TIL buildings was $9.3 million in FY2021, $10.5 million in FY2022, and $11.9 million in FY2023—totaling $31.6 million over the course of three years. After building ownership (construction closing) is transferred, HPD stops incurring costs for that building.

The audit acknowledges that a portion of the conversion costs may exist under any circumstances; however, excessive delays can severely compromise rehabilitation costs. With time and inflation, construction costs are likely to increase, adversely impacting the final cost and affordability of the project. This was the case in the following two examples:[41]

- *Lower East Side Cluster:* The project experienced hard and soft cost overruns during construction, as well as interest rate increases.[42] The program requested an additional $1.9 million to be funded by the City while the project was under construction. OMB approved the increase, allowing the project to complete construction within the planned 30-month timeline.
- *East Village Cluster:* Hard costs increased due to materials cost increases and supply chain disruptions during construction in 2021–2022, as well as interest rate increases. The program requested an additional $2.6 million to be funded with additional funding from the City (funded through HPD), which was approved by OMB in March 2023.

In its response to the Draft Report, HPD argues that the report's inclusion of implied monetary costs is misleading because auditors have not provided an analysis of the cost of completing these projects faster. HPD misses the point; the audit contends that HPD should more effectively

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[40] BPCA collects revenue from ground sub-leases in the form of ground rent, Payments in Lieu of Taxes (PILOT), and other fees. These revenues first fund BPCA's operating expenses and debt service, with the majority of remaining funds, known as "excess revenues," annually distributed to the City. The share associated with PILOT (approximately 80 percent of BPCA's excess revenues) flows to the New York City General Fund and the share associated with ground rent is allocated to a Joint Purpose Fund, the use of which is decided unanimously by the Mayor, New York City Comptroller, and BPCA.

[41] HPD provided additional subsidy when project costs exceeded the initial closing budget due to a variety of factors outside of HPD's control. The additional HPD financial assistance helps protect the affordability of the project despite rising costs and helps ensure that the additional costs are *not* an undue burden passed onto the new co-op and shareholders in the form of maintenance increases and/or overleveraged debt.

[42] "Hard costs" are directly related to a construction project, such as the materials and labor associated with the building's physical renovation. "Soft costs" are not tied to construction activities (e.g., legal, marketing and financing fees, as well as fees paid for technical services including architectural design, engineering, environmental testing, etc.).

minimize delays, and notes that delays cost the City money. HPD accepts no accountability for delays, however, and has offered no persuasive argument against the conclusion that added time and inflation likely result in an increase in conversion costs.

According to TIL tenants that auditors interviewed, as well as feedback from the surveys, delays in the conversion process have negatively impacted the quality of life in some cases. Several complaints included relocating to apartments that were either in poor condition or smaller than their original apartments, and the inability to access their belongings placed in storage during the relocation. Tenant relocations can last years as buildings undergo rehabilitation. HPD claimed they resolved the storage issues in 2017, but storage issues were still raised by tenants during this audit.

Recurring delays can negatively impact the level of trust that tenants have with HPD and developers. If the renovation process is frequently or routinely delayed, tenants may be more reluctant to submit the required paperwork within stated deadlines. Tenants expressed their mistrust of HPD both in meetings and in their survey feedback, as detailed in the next section.

Conversion delays also result in home ownership being delayed. As of April 2024, there were 155 units located in 11 of the 13 buildings that converted, of which 89 units were occupied by former TIL residents, five were designated for commercial use and 61 units were vacant.[43] As of April 2024, 1,851 units located in 113 buildings are still waiting to enter or complete the conversion process. Every delayed unit represents an impacted tenant or a vacant unit potentially available for sale as an affordable unit for income-eligible New Yorkers.

HPD Did Not Always Enforce Regulatory Agreement Requirements for Converted Co-ops

After conversion, HPD's Division of Asset & Property Management (APM) becomes the point-of-contact between HPD and the co-op monitor of the newly formed HDFC co-ops. The co-op monitor is responsible for tracking the co-op's compliance with the regulatory agreement and ensuring that the co-op increases maintenance fees by a minimum of 2% annually.

As indicated by HPD, it is vital that the co-ops annually increase the maintenance fees by 2%, as required by the regulatory agreement, so that they are able to keep up with the needs of the buildings. HPD also stated that any maintenance fee increases above the mandatory 2% are reviewed by the agency and may entail HPD reviewing expenses to justify the proposed increases.

One of the requirements of the regulatory agreement is that co-ops, via the co-op monitor, must submit audited financial reports every year, along with supporting documentation, such as the payment of annual insurance for the building, as well as rent rolls, demonstrating annual maintenance increases. Initial reports are due to HPD one year after the initial co-op Board Election. The co-op monitor enforces this deadline, and if there are delays with the HDFC, property manager, accountant, or other entity submitting the information, the co-op monitor should work with the HDFC to resolve the outstanding reporting requirements. The auditors requested all annual financial reports and supporting documents that have been submitted to HPD per the regulatory agreement

[43] Two of the 13 buildings, both in the borough of Manhattan, converted under ANCP but were purchased by Columbia University (as a result of a 2007 rezoning) to facilitate the development of a new campus.

for 11 of the converted co-ops.[44], HPD provided only 82% of the requested financial reports and supporting documents that were due from nine co-ops—seven located in Manhattan, two in the Bronx (information for the remaining four converted co-ops was not yet due at the time of the request).

HPD provided all of the financial reports for five of the nine converted co-ops. Most of the missing reports pertained to one building, which accounted for seven (58%) of the 12 reports that were not provided. For these 12 reports, auditors are unable to determine whether HPD was unable to locate the reports that were submitted by co-ops or if the co-ops never submitted the required documents.

In addition, at the time of the auditors' request for the financial records, nine of the 13 buildings were due for a maintenance fee increase. HPD provided auditors with documentation of the monies collected from residents for each of the nine buildings and auditors found that the maintenance fees were not increased on an annual basis (starting with one year after the Board is elected) for any of the buildings, as noted in table V below.

Table V: Post Conversion Maintenance Increases for Nine Co-ops

Building	Initial Due Date of Maintenance Fees Increases	# of Maintenance Fee Increases Expected by 7/22/2024	# of Maintenance Fee Increases Implemented	Explanation Offered by HPD
46-48 East 129 Street	June-24	1	0	2% increase will be implemented by the end of the year
161 West 108 Street	Aug-24	1	0	2% increase recommended; the co-op monitor is working to implement by end of the year.
748 Beck Street	Aug-24	1	0	An approximate 3% increase is recommended. The co-op monitor is working to implement by end of the year
3289 Broadway	Dec-23	2	0	The Board will implement a 2-4% increase before end of the year once their budget has been finalized.
211 West 147 Street	Jul-22	3	2	2% increase was certified by the Board, who will implement an increase by late 2024.
602 West 132 Street	Apr-19	7	2	The board is planning to initiate an increase greater than the minimum 2% by the end of the year. Budget is being worked on, with the board making final determination on size of increase in late October 2024. Increase is necessary due to no increase in previous years resulting from no financial information.

[44] At the time of the request, auditors were not aware that two additional buildings had converted.

Building	Initial Due Date of Maintenance Fees Increases	# of Maintenance Fee Increases Expected by 7/22/2024	# of Maintenance Fee Increases Implemented	Explanation Offered by HPD
847 Fox Street	Feb-22	3	0	6% budget-based increase implemented. Necessary due to years without an increase. **Note:** Auditors received no evidence that the 6% had been implemented during 2024
508 West 134 Street	Mar-24	1	0	2.5% increase implemented **Note:** No evidence that increase was implemented
244-246 Elizabeth Street	Sep-19	4	3	A 2% Increase was implemented. **Note**: 2024 financials were still being worked on; auditors were not able to confirm the implementation of the 2% increase.
TOTAL		**23**	**7**	

As indicated in the table above, only 30% of the required maintenance fees were implemented. For six of the buildings, HPD stated that the required increases were in the process of being worked on and that they would be implemented later in the year. For one of those six buildings, due to a lack of financial information, maintenance fees were not increased for five of the seven years. For three buildings, HPD stated that the increases already took place; however, HPD provided no supporting evidence of the increase for any of the three buildings.

Some Survey Respondents Were Concerned About Increased Costs, Lengthy Conversion Process, and Inadequate Communication with HPD

To assess tenants' experience and satisfaction with the ANCP conversion process, the audit sent 432 surveys to 273 tenants and 159 TA members related to 65 buildings for which HPD had provided contact information. Auditors also conducted phone surveys with two TA members. The surveys consisted of 15 questions to the tenants and 18 questions to the TAs intended to capture their feedback, insights, and experiences with converting TIL buildings into co-ops under ANCP. (The full survey results are presented in Appendices 9 and 10.)

The auditors received feedback from a total of 67 (15%) of the 432 individuals (50 tenants and 17 TA members), from a total of 36 buildings.

The audit acknowledges that the participants who responded to the survey represent a small percentage of the people who reside in TIL buildings and participated in the program. As a result, the degree to which their responses reflect the general opinions of ANCP participants is unknown.

A survey with a higher response level would allow HPD to gather feedback from participants and help the agency identify overall satisfaction levels and potential shortcomings in the services provided.

Most of the tenant respondents did not express an opinion regarding their satisfaction with the conversion process. Of the 12 tenants who did, seven (58%) had an unfavorable opinion and five (42%) had a favorable opinion. Some tenants noted poor communication and the slow conversion process as reasons for their dissatisfaction, but overall, satisfaction levels are reasonably good.

Of the four TAs who expressed an opinion, two were satisfied and two were dissatisfied.

The key points of the survey results are as follows:

- Of the 36 tenants who expressed their level of satisfaction with the way the conversion process was presented to them and whether their questions about the process were addressed by HPD, 26 (72%) were generally satisfied and 10 (28%) were dissatisfied.
- Of the 25 tenants who expressed their level of satisfaction with communication with the developers, 13 (52%) were satisfied and 12 (48%) were dissatisfied.
- Of the 19 tenants who expressed their level of satisfaction with their reassigned living conditions while waiting for conversion, 14 (74%) were satisfied and five (26%) were dissatisfied.

Additionally, several respondents provided suggestions on how they believed the program could be improved, the most common ones being:

- To make the process faster and smoother.
- To enhance communication, honesty, and transparency, and develop a real plan and timeline. This includes the request for HPD to provide updated information on delays, concerns, and progress.

Tenants also complained that they were never specifically informed that conversion to co-op under ANCP would include a mortgage, a concern expressed in survey feedback indicated that there was some misunderstanding about this component of the program. For example, one tenant responded that they were "unhappy because tenants would not be allowed to retain ownership of the building if the building converted to co-op and had a mortgage placed on it." However, this is not the case—according to HPD, existing tenants who purchase their units do not have individual mortgages and are solely responsible for paying their monthly maintenance. Rather than individual ownership, the co-op owns the building and the homeowners, as members of the co-op, owns shares of the building. There should be no misunderstanding regarding the financial implications of ANCP conversion. However, upon receipt of the survey results, HPD expressed concern that tenants had a fundamentally flawed perception of the program, specifically in relation to the affordability aspect of homeownership, underscoring the need for establishing better communications with tenants.

Following the initial distribution of the surveys, auditors were contacted by the tenant advocacy group PA'LANTE Harlem.[45] Auditors met with the group, as well as several TIL tenants and TA members, and heard several of the same concerns addressed by survey respondents, including excessive conversion delays and inadequate communication from HPD.

HPD stated that negative campaigns and misinformation directed at tenants have obstructed its ability to move certain projects forward. For example, tenant concerns about unit layouts and maintenance increases have delayed conversions, as tenant cooperation is stalled.

[45] PA'LANTE Harlem is a non-profit tenant advocacy organization, that has leveled complaints against HPD relating to the implementation of ANCP, including tenants being relocated for extensive periods of time while waiting for their buildings to be rehabilitated.

Based on their responses, tenants and TAs have a range of concerns as well as suggestions for improving the current process. Improving communication with the tenants and TAs and gathering feedback from those most directly affected by the conversion process would help HPD identify expectations, satisfaction levels, and key shortcomings in the services provided. Prior to the start of the audit, HPD had created a Deputy Director of Community Engagement (DDCE) position to focus on improving the tenant engagement processes. After being offered the position, the first DDCE started in that role in June 2024, after waiting nearly a year for OMB's approval.

When questioned about whether it had considered conducting its own surveys to obtain tenant feedback and cooperation, HPD responded that it had not done so in the past; however, according to HPD, the new DDCE would focus solely on resident engagement and intends to issue surveys as part of its outreach to residents. Conducting surveys would allow HPD to gather tenant feedback and satisfaction and focus on areas of concern.

Improvements Implemented or Planned by HPD

After receiving feedback from the auditors during the audit, HPD informed auditors of changes and/or commitments to making changes to address several of the concerns identified by the tenants that the auditors shared with the agency.[46]

Some of the changes identified by HPD include:

1. Increase in Subsidy. According to HPD, it increased the amount of subsidy per unit it provides to ANCP projects so that a private, permanent loan is no longer needed as part of the standard financing structure. In addition, moving forward, HPD debt—which is used as a subsidy to the developer for reconstruction of the building and which was initially set at 1% interest—currently has a 0% interest.
2. The creation of a new position, "Deputy Director of Community Engagement," dedicated to facilitating meetings, updates, and overall communication with TIL residents. (Hired as of June 24, 2024.)
3. Prioritization of assigning developers to buildings that have been vacated due to structural and safety concerns and where TIL residents have already relocated (some for many years). (The auditors were unable to verify whether this change has been implemented.)
4. Meetings and updates with tenants. According to HPD, the agency has increased the number of meetings it has with residents and updates its tenant communication materials and presentations to include additional details and greater clarity and to address common concerns and misconceptions.
5. Developing a structure where residents will be able to make the final selection of the developer for their building—after HPD completes the vetting process. The responsibilities of the developer include but are not limited to: oversight and construction of the development; ensuring the successful conversion of the building; submitting the offering plan; marketing and selling vacant units; and engaging with existing tenants.
6. Amplifying the role of the nonprofit group Restoring Communities and working more closely with the organization so that it can represent residents' interests and provide

[46] In its response to the Draft Report, HPD argued that these improvements were planned, in process, or implemented before the audit was initiated or before officials received the auditors' initial findings.

technical assistance to residents—from project inception through conversion.[47] (The auditors were unable to verify whether this change has been implemented.)

7. Modifying the Unit Switch Policy. According to HPD, it had not previously permitted switches in unit sizes due to changes in household sizes. However, to acknowledge that household sizes have changed since joining TIL, ANCP has since changed its old policy of denying these requests. According to HPD, as of winter 2023, HPD is attempting to accommodate such requests, when feasible. (The auditors were unable to verify whether this change has been implemented.)

HPD is also considering the creation of a third-party Owners Representative (liaison) between HPD and the tenants, who will be responsible for explaining the conversion process to tenants and advocating on their behalf when issues arise. Officials did not provide a timeline for when this might take place.

[47] Restoring Communities is a nonprofit organization that serves as: (1) the titleholder during the construction phase of the ANCP project; (2) the designated grantee that applies for grants on behalf of shareholders; and (3) an advocate and supporter of building residents through all project phases.

Recommendations

To address the abovementioned findings, the auditors propose that HPD should:

1. Develop a centralized mechanism to readily identify specific issues delaying the completion of projects.

   HPD Response: HPD agreed with this recommendation.

2. Analyze the most commonly recurring causes of delays and develop strategic approaches to addressing these, making programmatic and contractual changes to remove obstacles upfront.

   HPD Response: HPD partially agreed with this recommendation, stating that "deliberat[ive] processes misconstrued as 'delays' in the report are invaluable in bolstering resident autonomy and improving housing quality." Additionally, HPD stated that it "has already developed various strategic approaches, including making programmatic and contractual changes to improve efficiency, expediency, and coordination with other City agencies."

   As an additional note, HPD stated that, "The Comptroller claims that reasons for delay are 'common, known, and otherwise established or routine parts of the process' and criticizes HPD for not innovating solutions to such predictable challenges. If solutions to these delays are so within grasp, HPD would have appreciated A) recommendations that reference specific feedback on the evidence of changes that the Agency has made and shared with the Comptroller's team, and/or B) novel recommendations, rather than a generic suggestion of 'changes'."

   Auditor Comment: HPD's response does not indicate the portion of the recommendation with which it disagrees. The auditors reiterate the need for HPD to examine its processes and consider possible solutions to addressing these. If HPD lacks the expertise to do this in-house, it should engage with housing advocates, developers active in the program, tenants and other stakeholders to identify bottlenecks and ways to address them.

3. Regularly evaluate project progress against time benchmarks and proactively and timely implement mitigation strategies to address individual project delays as they occur.

   HPD Response: HPD agreed with this recommendation.

4. Update the ANCP brochure listed on its website to include the most recent timeframes for benchmarks and targets for the different stages of conversion.

   HPD Response: HPD partially agreed with this recommendation, stating that "project benchmarks are not uniform" and the agency already provides updated timeframes and targets to residents. However, HPD stated that it "agrees that also updating materials on ANCP's webpage would help convey current information to the public."

   Auditor Comment: Auditors acknowledge that certain benchmarks may be project specific, but the facts remains that HPD's actual timeframes significantly exceed the benchmarks originally established, and while HPD represented to auditors that it was working on new benchmarking guidelines, it declined to provide any related information to auditors. HPD should do a better job at providing accurate information to tenants and the public, and accordingly, it is positive that HPD agreed (at least) to update its webpage so that it does not convey inaccurate information.

5. Develop and share with tenants new conversion completion targets for each pending conversion, based on new benchmarks HPD has indicated it is in the process of

developing. HPD should also track and report progress against such benchmarks to tenants.

HPD Response: HPD partially agreed with this recommendation, stating that it already follows this recommendation. HPD stated that “if unforeseen challenges emerge that lengthen timelines, HPD and project sponsors communicate these changes to residents.”

Auditor Comment: It is difficult to see from HPD’s response what part of the recommendation it does not agree with, however, as noted above, HPD provided no evidence to auditors that it has established new benchmarks or completion targets, or to show that it is tracking progress against them and reporting the results to tenants.

6. Continue to explore methods that can be used to establish better communication and relationships with its tenants about the ANCP conversion process (including the possibility of surveys) and continue its ongoing efforts to solicit tenant feedback.

   HPD Response: HPD agreed with this recommendation.

7. Work with different City entities (City Council, OMB, DOB) to encourage interagency collaboration and cooperation towards a more streamlined approval process.

   HPD Response: HPD agreed with this recommendation.

8. Collect and review all information required after conversion to facilitate financially solvency of each building and to help ensure that maintenance fees are increased based on the needs of the buildings.

   HPD Response: HPD agreed with this recommendation.

Recommendations Follow-up

Follow-up will be conducted periodically to determine the implementation status of each recommendation contained in this report. Agency reported status updates are included in the Audit Recommendations Tracker available here: https://comptroller.nyc.gov/services/for-the-public/audit/audit-recommendations-tracker/

Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions within the context of our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit was Fiscal Year 2012 through April 2024.

To gain an understanding of HPD's policies and procedures governing the ANCP, the auditors reviewed the following: (1) the *ANCP's Brochure*, which outlines the requirements, phases, and benefits of co-op conversion; (2) the *ANCP Term Sheet*, includes a description of the program; HPD's loan amounts and loan terms; and developer's responsibilities; and (3) the *ANCP Fact Sheet*, which outlines frequently asked questions and answers about ANCP.

To gain an understanding of the conversion process from TIL to ANCP, auditors conducted walkthrough meetings with HPD officials and outside entities involved in the conversion process, and had discussions that included, but were not limited to, the following:

- Assistant Commissioner of Homeownership Opportunities and Preservation – overview of ANCP; divisions in HPD that assists with ANCP; HPD's process of selecting developers and its oversight of the developers; sources of funding for ANCP; and challenges that shareholders faced after conversion.
- Deputy Commissioner of Assets & Property Operations – overview of the TIL program; the difference in payment structure (including monthly rents, mortgages, and other payments) for both TIL and ANCP; hurdles that prevent TIL buildings from entering ANCP; and guidance and assistance given to the Tenant Associations.
- Executive Director of Policy and Special Programs (including Section 8) – assistance provided to tenants who need rental assistance while in TIL and/or ANCP.
- Building Coordinators – their interaction with Tenant Associations, inspection of units to ensure compliance with TIL guidelines, and review of corrective action plans.
- Financial Reviewers – their oversight of buildings; interaction with tenants, tenant associations, building coordinators; and preparation of financial reports based on rent receipts, rent checks, invoices, work orders, bank statements and deposit slips provided by the TA.
- Developers – involved in the predevelopment and construction phases of the conversion process, including relocation of tenants; responsible for educating tenants on construction budget; and deal with obstacles in finding contractors, architects, and engineers.
- Developers' Marketing Agents – overview of the marketing process of the co-ops from start to finish.
- HPD's Compliance unit – tracking TAs compliance status and corrective action plans (CAP) while in TIL.
- HPD's Marketing Project Manager – discussion of responsibilities in the marketing process and various external entities that are integral parts of the marketing process, such as the developer's marketing agents.

- Training/Technical Service Providers – overview of Urban Homesteading Assistance Board UHAB, including type of training and technical assistance provided to TAs and tenants.

To determine the number of buildings in the TIL program that were slated for conversion to co-op under ANCP, auditors reviewed the building list of 195 buildings provided by HPD that were categorized as follows:

- ANCP – former TIL buildings that successfully converted to ANCP;
- TIL – buildings that have not been designed a developer yet;
- ANCP/TIL – buildings that have been assigned a developer and still in the conversion process;
- TIL/Co-op – buildings that have been converted under another program; and
- Rentals – buildings that are in the pipeline for the MPLP program.

To ascertain the reliability of the data, the auditors analyzed the building list and requested an affirmation statement from HPD to verify the number of buildings in the program. In addition, the auditors selected a sample of projects and compared the building data provided by HPD to documents in HPD's shared drive and to information maintained in HPDWorks.

According to the list of 195 buildings, 60 of the buildings were listed as rentals under the Multi-family Preservation Loan Program (MPLP); and nine were listed as TIL/Co-op buildings that had converted under a different program prior to the establishment of ANCP. The remaining 126 buildings under TIL/ANCP were categorized as follows:

- 13 buildings converted to co-ops through ANCP during the period April 16, 2018 through March 13, 2024
- 68 buildings have been assigned developers and are currently in various phases of the conversion process; and
- 45 buildings have not yet been assigned developers; 11 of these buildings were originally assigned to a cluster for conversion but were removed from the program due to failure to meet the criteria. These 11 buildings were returned to TIL for future consideration.

Auditors reviewed the various phases of the projects to verify the status of each phase, to ascertain whether estimated benchmarks set by HPD were exceeded for each phase, and to determine reasons for delays.

To determine whether HPD acted to mitigate delays in the ANCP conversion process, and its communication with tenants, auditors reviewed supporting documentation from HPD's files in the shared drive and HPDWorks.

To gauge the satisfaction of tenants and TAs with the TIL/ANCP co-op conversion process, auditors generated two surveys. The first survey was sent to 273 tenants who were head of households and focused on the degree of satisfaction in the following areas: trainings provided for ANCP; education on the program (including the type of information that was communicated to the tenants); and their overall satisfaction with the program. The second survey was sent to 159 TAs and focused on the support the TAs received from HPD during the various phases of the conversion process. Auditors received 50 (18%) of 274 tenant survey responses and 17 (11%) of 159 TA survey responses. Responses from both surveys were from 36 buildings.

The auditors also conducted interviews with the tenant advocacy group, PA'LANTE Harlem, and 12 TIL tenants from eight TAs to get their perspective of the TIL program and ANCP.

To determine the overall affordability of converted ANCP buildings—and the program's effectiveness in creating and maintaining affordable units—the auditors examined the residents' overall costs, measured the affordability of ANCP units, and compared AMI to ANCP maintenance charges

To determine the number of occupied and vacant units that are earmarked for low- and moderate-income households, auditors obtained information relating to the 19 buildings in the marketing and conversion phase and calculated the percentage of vacant and occupied units allocated for low-and moderate-income households.

To determine whether HPD had adequate oversight post conversion over the 13 converted buildings in ensuring that co-op boards complied with the terms of the regulatory agreement which requires the co-ops to: (a) submit annually, audited financial reports and supporting documentation such as property insurance, and rent rolls; and (b) increase maintenance fees each year by a minimum of 2%, auditors requested all financial reports for the converted buildings and calculated the number of reports and supporting documentation that were due and submitted, and the number of maintenance increases that were due to be implemented and the number that were actually implemented.

The results of the above tests, while not projectable to their respective populations, provided a reasonable basis for the auditors to evaluate and support their findings and conclusions regarding the effectiveness of ANCP in creating affordable co-ops for tenants of buildings in the TIL program.

Appendix 1

Listing of 13 Buildings Converted between 2012 and 2024

Building Address	Initial Entry into the ANCP Program	Projects Should have been Completed by this Date (Based on completion benchmark)	Date of Conversion into Co-op	No. of Months by which Project Exceeded Benchmark for Completion	Total No. of Months Project was Completed from Initial Entry to Conversion Date
*161 West 108th Street, NY	8/9/2016	8/9/2020	11/2/2022	25	73
107 West 105th Street, NY	8/9/2016	8/9/2020	11/2/2022	26	74
*518 West 161st Street, NY	8/9/2016	8/9/2021	12/23/2022	15	75
244-46 Elizabeth Street, NY	9/4/2012	9/4/2016	6/8/2018	21	69
602 West 132nd Street, NY	7/15/2012	7/15/2016	4/16/2018	21	69
847 Fox Street, Bronx	3/5/2013	3/5/2017	5/15/2020	38	86
211 West 147th Street, NY	7/15/2012	7/15/2016	3/3/2020	43	91
*508 West 134th Street, NY	3/5/2013	3/5/2017	11/30/2022	67	115
748 Beck Street, Bronx	7/15/2012	7/15/2016	5/26/2022	70	118
*46-48 East 129th Street, NY	7/15/2012	7/15/2016	11/10/2022	76	124
3289 Broadway, NY	7/15/2012	7/15/2016	11/15/2022	76	124
*21 Arden Street, NY	10/19/2012	10/19/2016	3/13/2024	87	135
*152 East 116th Street, NY	7/15/2012	7/15/2016	12/6/2023	87	135

* These buildings had a rounding difference of one month

Appendix 2

Number of Months Projects Exceeded Completion Benchmarks—68 Buildings in Various Phases of Conversion

Building Address	Initial Entry into ANCP	Projects Should have been Completed by this Date (Based on completion benchmarks)	Phase Building was in as of April 2024	No. of Months by which Project Exceeded Benchmarks for Completion as of April 2024
12-14 Old Broadway, NY	2/12/2019	2/12/2023	Pre-Development	13
32 Putnam Avenue, Bklyn	8/22/2016	8/22/2020	Pre-Development	43
34 Putnam Avenue, Bklyn	8/22/2016	8/22/2020	Pre-Development	43
48 Convent Avenue, NY	2/12/2019	2/12/2023	Pre-Development	13
50 Convent Avenue, NY	2/12/2019	2/12/2023	Pre-Development	13
51-55 East 129th, NY	2/10/2017	2/10/2021	Pre-Development	37
104 West 139th, NY	1/9/2018	1/9/2022	Pre-Development	26
106 West 139th, NY	1/9/2018	1/9/2022	Pre-Development	26
108 West 139th, NY	1/9/2018	1/9/2022	Pre-Development	26
110 Lenox Avenue, NY	8/2/2017	8/2/2021	Pre-Development	32
128 West 116th, NY	8/2/2017	8/2/2021	Pre-Development	32
131-37 West 129th, NY	2/20/2019	2/20/2023	Pre-Development	13
135 West 142nd, NY	1/9/2018	1/9/2022	Pre-Development	26
148 West 129th, NY	2/20/2019	2/20/2023	Pre-Development	13
150 West 121st, NY	10/17/2019	10/17/2024	Pre-Development	-
150 West 141st, NY	1/9/2018	1/9/2022	Pre-Development	26
204 West 120th, NY	10/17/2019	10/17/2024	Pre-Development	--
271 West 126th, NY	10/17/2019	10/17/2024	Pre-Development	-
305 West 126th, NY	10/17/2019	10/17/2024	Pre-Development	-
311-13 Pleasant Av., NY	2/10/2017	2/10/2021	Pre-Development	37
411 West 128th, NY	2/20/2019	2/20/2023	Pre-Development	13
415-17 West 128th, NY	2/20/2019	2/20/2023	Pre-Development	13
453-55 West 125th, NY	2/12/2019	2/12/2023	Pre-Development	13
501 West 174th, NY	1/24/2020	1/24/2025	Pre-Development	-
506 West 135th, NY	8/7/2019	8/7/2024	Pre-Development	-
507 West 138th, NY	8/7/2019	8/7/2024	Pre-Development	-
511 West 171st, NY	1/24/2020	1/24/2025	Pre-Development	-
516 West 175th, NY	1/24/2020	1/24/2025	Pre-Development	-
522 West 174th, NY	1/24/2020	1/24/2025	Pre-Development	-
536-38 West 136th, NY	8/7/2019	8/7/2024	Pre-Development	-
568 West 173rd, NY	1/24/2020	1/24/2025	Pre-Development	-
1263 Park Avenue., NY	2/10/2017	2/10/2021	Pre-Development	37
1971 7th Avenue, NY	8/2/2017	8/2/2021	Pre-Development	32

Building Address	Initial Entry into ANCP	Projects Should have been Completed by this Date (Based on completion benchmarks)	Phase Building was in as of April 2024	No. of Months by which Project Exceeded Benchmarks for Completion as of April 2024
135 West 132nd, NY	8/10/2016	8/10/2020	Construction	43
201 7th Avenue, NY	4/25/2017	4/25/2021	Construction	35
203 7th Avenue, NY	4/25/2017	4/25/2021	Construction	35
205 7th Avenue, NY	4/25/2017	4/25/2021	Construction	35
207 7th Avenue, NY	4/25/2017	4/25/2021	Construction	35
202 West 133rd, NY	8/3/2017	8/3/2021	Construction	31
204 Avenue A, NY	9/15/2016	9/15/2020	Construction	42
231 West 116th, NY	10/18/2017	10/18/2021	Construction	29
357 West 115th, NY	10/18/2017	10/18/2021	Construction	29
494 Manhattan Avenue, NY	10/18/2017	10/18/2021	Construction	29
505 West 134th, NY	7/9/2018	7/9/2022	Construction	20
523 West 134th, NY	7/9/2018	7/9/2022	Construction	20
527 West 134th, NY	7/9/2018	7/9/2022	Construction	20
535 East 12th Street, NY	9/15/2016	9/15/2020	Construction	42
609 West 158th, NY	8/9/2016	8/9/2021	Construction	31
9 Ft. Washington., NY	8/9/2016	8/9/2021	Construction	31
24 West 132nd Street, NY	8/3/2017	8/3/2021	Marketing & Conversion	31
55 Carlton Avenue, Bklyn	8/22/2016	8/22/2020	Marketing & Conversion	43
406 Lenox Avenue, NY	8/10/2016	8/10/2020	Marketing & Conversion	43
406-08 East 10th Street, NY	4/18/2017	4/18/2021	Marketing & Conversion	35
422 Lenox Avenue, NY	8/10/2016	8/10/2020	Marketing & Conversion	43
424 Lenox Avenue, NY	8/10/2016	8/10/2020	Marketing & Conversion	43
426 Lenox Avenue, NY	8/10/2016	8/10/2020	Marketing & Conversion	43
428 Lenox Avenue, NY	8/10/2016	8/10/2020	Marketing & Conversion	43
432 Lenox Avenue, NY	8/10/2016	8/10/2020	Marketing & Conversion	43
533 East 11th Street, NY	4/18/2017	4/18/2021	Marketing & Conversion	35
544-46 West 163rd, NY	8/9/2016	8/9/2021	Marketing & Conversion	31
550 DeKalb Aven., Bklyn	8/22/2016	8/22/2020	Marketing & Conversion	43
601 West 148th, NY	8/9/2016	8/9/2020	Marketing & Conversion	43
656 East 12th Street, NY	4/18/2017	4/18/2021	Marketing & Conversion	35
774 Union Avenue, Bronx	5/14/2018	5/14/2022	Marketing & Conversion	22
993 Union Avenue, Bronx	5/14/2018	5/14/2022	Marketing & Conversion	22

Building Address	Initial Entry into ANCP	Projects Should have been Completed by this Date (Based on completion benchmarks)	Phase Building was in as of April 2024	No. of Months by which Project Exceeded Benchmarks for Completion as of April 2024
995 Union Avenue, Bronx	5/14/2018	5/14/2022	Marketing & Conversion	22
1042 Longfellow, Bronx	5/14/2018	5/14/2022	Marketing & Conversion	22
2274 7th Avenue, NY	8/3/2017	8/3/2021	Marketing & Conversion	31

Appendix 3

Listing of 45 Buildings in TIL Waiting for Sponsors

Building Address	TIL Net Lease Date	Estimated ANCP Start Date	Estimated Time Buildings in TIL prior to ANCP	Estimated Time Buildings have been Waiting for Sponsors
2 East 127th Street, New York	3/1/2002	7/15/2012	124	140
12 Fillmore Place, Brooklyn	7/1/2000	7/15/2012	144	140
30-32 St. Nicholas Place, New York	2/1/2002	7/15/2012	125	140
34 Morningside Avenue, New York	12/1/2000	7/15/2012	139	140
37 West 138th Street, New York	9/1/2002	7/15/2012	118	140
79 Post Avenue, New York	5/1/2004	7/15/2012	98	140
102 East 98th Street, New York	3/1/2004	7/15/2012	100	140
138 West 137th Street, New York	9/1/2006	7/15/2012	70	140
158 S. 4th Street, Brooklyn	11/1/2000	7/15/2012	140	140
161-69 West 140th Street, New York	9/1/1997	7/15/2012	178	140
321 West 116th Street, New York	11/1/2002	7/15/2012	116	140
374-76 Prospect Place, Brooklyn	3/1/2001	7/15/2012	136	140
388-90 Grand Concourse, Bronx	7/1/2002	7/15/2012	120	140
408 West 154th Street, New York	6/1/2001	7/15/2012	133	140
424 West 163rd Street, New York	5/1/2001	7/15/2012	134	140
426 West 163rd Street, New York	5/1/2001	7/15/2012	134	140
428 West 163rd Street, New York	5/1/2001	7/15/2012	134	140
430 West 163rd Street, New York	5/1/2001	7/15/2012	134	140
442 West 164th Street, New York	5/1/2001	7/15/2012	134	140
444-48 West 153rd Street, New York	9/1/2006	7/15/2012	70	140
465 West 157th Street, New York	1/1/1999	7/15/2012	162	140
472 West 147th Street, New York	7/1/1999	7/15/2012	156	140
503 West 147th Street, New York	12/1/2003	7/15/2012	103	140
505 West 147th Street, New York	12/1/2003	7/15/2012	103	140
503-05 West 140th Street, New York	9/1/2003	7/15/2012	106	140
513F East 12th Street, New York	7/1/2000	7/15/2012	144	140
519 West 138th Street, New York	5/1/2003	7/15/2012	110	140
522 West 158th Street, New York	12/1/2002	7/15/2012	115	140
530 West 144th Street, New York	3/1/2003	7/15/2012	112	140
542 West 156th Street, New York	3/1/2000	7/15/2012	148	140
545 West 142nd Street, New York	2/1/2000	7/15/2012	149	140
555 West 186th Street, New York	7/1/2004	7/15/2012	96	140
565 Central Avenue, Brooklyn	12/1/2004	7/15/2012	91	140
566 West 191st Street, New York	6/1/2006	7/15/2012	73	140
609-611 West 141st Street, New York	6/1/2003	7/15/2012	109	140

Building Address	TIL Net Lease Date	Estimated ANCP Start Date	Estimated Time Buildings in TIL prior to ANCP	Estimated Time Buildings have been Waiting for Sponsors
615 West 150th Street, New York	12/1/1996	7/15/2012	187	140
938 Kent Avenue, Brooklyn	6/1/2001	7/15/2012	133	140
1128 Manhattan Avenue, Brooklyn	11/1/2000	7/15/2012	140	140
1229 College Avenue, Bronx	10/1/2001	7/15/2012	129	140
1233 College Avenue, Bronx	10/1/2001	7/15/2012	129	140
1478 Gates Avenue, Brooklyn	10/1/2001	7/15/2012	129	140
2125-27 Amsterdam Avenue, New York	3/1/2000	7/15/2012	148	140
2170 Amsterdam Avenue, New York	2/1/2002	7/15/2012	125	140
2188-90 Amsterdam Avenue, New York	12/1/2002	7/15/2012	115	140
2204 Amsterdam Avenue, New York	2/1/2000	7/15/2012	149	140

Appendix 4

Comparison Between TIL and ANCP

Category	TIL	ANCP
Cost to Purchase Apartment	$250 for existing residents	$250 for existing residents whose household incomes are at or below 80% AMI $2,500 for existing residents whose household income is above 80% AMI
Non-purchasing tenants (tenants who did not purchase shares)	Can remain in the buildings as non-rent stabilized tenants and can be evicted by the co-op board	Can remain in the building as rent stabilized tenants with annual rent increases subject to rent stabilization guidelines
Vacant Unit Purchase Price Affordability	Originally up to Private Housing Finance Law limits; by the early 2000s, up to 120% AMI	Up to a project-specific restriction between 80%-120% AMI
Permitted Resale Prices	No price restriction; buyers must earn no more than 120% AMI	Price set by a formula to ensure affordability to households earning up to the project's income restriction (between 80%-120% AMI)
Maintenance and Operating Expenses	Maintenance set to cover building operating expenses	Maintenance set to cover building operating expenses and private debt service payments, if any
Tax Exemptions	Partial property tax exemption	Full, 40-year property tax exemption
Scope of Work	Initially no to moderate rehab; scopes expanded in later years as buildings deteriorated	Substantial or gut rehabs for all buildings
Primary Funding Sources for Co-op Conversion	City subsidy, residents' sweat equity, partial tax exemption	City subsidy, New York State subsidy, sales proceeds and, in some limited cases, private permanent mortgages (very rarely used since July 2023), and full property tax exemption.
Long-term Affordability Protections	No HPD enforcement mortgages No Regulatory Agreements or 30-year Regulatory Agreement with limited requirements	40-year Enforcement Mortgage (0% interest and no payments for 40 years). 40-year regulatory agreement with strong affordability protections.
Reserves	Varied over time; in some instances, $750 per dwelling unit reserved upfront, with $200 per unit held by City to oversee withdrawals as needed	Co-ops receive an initial reserve account funded with an amount equal to 6 months of their operating costs and any debt service, if relevant. This significantly exceeds $750 per dwelling unit in all cases. ANCP co-ops also receive the balance of any Tenant Association funds.
Long-term Support	Property management at the coop's discretion; no monitoring requirement	Third-party property management and third-party coop monitors are required; coops are financed so that they can afford these services
Flip Taxes[48]	Varied over time, but in some instances a significant portion of	Schedule based on tenancy, flatting at a 10/90 flip tax split (i.e., 10% of sales proceeds diverted back

[48] A flip tax is a transfer fee paid by the seller of a co-op to the building—it is used to raise funds for the building's reserve funds.

Category	TIL	ANCP
	sales proceeds (30% or more) would be diverted to the co-op and/or back to HPD upon sale of the unit.	to co-op when a unit is sold), leading to significantly more ability for residents to build wealth upon sale.

Appendix 5

Comparison of 40% AMI to HPD Maintenance Fees[49]

Buildings	Conversion Date	Median Family Income, as per HUD, During Year of Conversion	Estimated Annual Maintenance Fees 40% AMI	Monthly Maintenance Fees (40% AMI)	Maintenance Fees Charged under ANCP, at Date of Conversion	Difference between Maintenance Fees at 40% AMI and What was Charged
602 West 132 Street	4/16/2018	$ 70,300.00	$ 28,120.00	$ 2,343.33	$ 937.00	$ 1,406.33
244- 246 Elizabeth Street	6/8/2018	$ 70,300.00	$ 28,120.00	$ 2,343.33	$ 586.00	$ 1,757.33
211 West 147 Street	3/3/2020	$ 78,700.00	$ 31,480.00	$ 2,623.33	$ 1,291.00	$ 1,332.33
847 Fox Street	5/15/2020	$ 78,700.00	$ 31,480.00	$ 2,623.33	$ 1,291.00	$ 1,332.33
748 Beck Street	5/26/2022	$ 94,500.00	$ 37,800.00	$ 3,150.00	$ 1,445.00	$ 1,705.00
107 West 105 Street	11/2/2022	$ 94,500.00	$ 37,800.00	$ 3,150.00	$ 986.00	$ 2,164.00
161 West 108 Street (AKA 981 Amsterdam Avenue)	11/2/2022	$ 94,500.00	$ 37,800.00	$ 3,150.00	$ 986.00	$ 2,164.00
46-48 E. 129th Street	11/10/2022	$ 94,500.00	$ 37,800.00	$ 3,150.00	$ 1,291.00	$ 1,859.00
3289 Broadway	11/15/2022	$ 94,500.00	$ 37,800.00	$ 3,150.00	$ 900.00	$ 2,250.00
508 W. 134 Street	11/30/2022	$ 94,500.00	$ 37,800.00	$ 3,150.00	$ 1,326.00	$ 1,824.00
518 West 161 Street	12/23/2022	$ 94,500.00	$ 37,800.00	$ 3,150.00	$ 1,239.00	$ 1,911.00
152 East 116th Street	12/6/2023	$ 94,400.00	$ 37,760.00	$ 3,146.67	$ 856.00	$ 2,290.67
21 Arden Street	3/13/2024	$ 97,600.00	$ 39,040.00	$ 3,253.33	$ 1,317.00	$ 1,936.33

[49] In its response to the draft report, HPD argued that there is an error in methodology for calculating the figures in Appendix 5, citing lower monthly maintenance amounts. It is not an error, but rather a difference in methodology. The audit used the median family income (average of a five-year period from census surveys), at the year of conversion for the 13 converted buildings; whereas HPD only used the 2024 HUD AMI, based on its response. Regardless of the methodology, the maintenance fees for all 13 of the converted buildings fell well below the affordability thresholds.

Appendix 6

Household Income Requirements Under Section 8

Family Size	30% AMI	50% AMI	80% AMI	95% AMI
1	$32,650	$54,350	$87,100	$103,300
2	$37,300	$62,150	$99,550	$118,100
3	$41,950	$69,900	$111,950	$132,850
4	$46,600	$77,650	$124,400	$147,550
5	$50,350	$83,850	$134,350	$159,350
6	$54,100	$90,050	$144,300	$171,100
7	$57,800	$96,300	$154,250	$183,000
8	$61,550	$102,500	$164,200	$194,750

Effective - April 26, 2024

Appendix 7

*Projected Funding Breakdown for Projects in the Marketing & Conversion Phase

Building Address	Total Projected Funding for Rehabilitation	Public Subsidy		Other Sources of Funding	
		HPD Loan	AHC/AHOP Funds	Private Bank Loan	Sales Proceeds (Occupied & Vacant Units)
55 Carlton Avenue, Bklyn	$4,413,389	$3,051,913	$210,000	$0	$1,151,476
406 Lenox Avenue, NY	$5,013,239	$3,191,994	$322,500	$0	$1,498,745
424-432 Lenox Avenue, NY	$11,186,878	$6,029,322	$567,500	$0	$4,590,056
135 West 132nd, NY	$15,855,010	$10,285,313	$1,040,000	$0	$4,529,697
544-46 West 163rd, NY	$6,875,690	$2,996,461	$732,500	$602,419	$2,544,310
550 DeKalb Ave, Bklyn	$4,693,656	$3,560,566	$257,500	$0	$875,590
601 West 148th, NY	$10,260,643	$7,918,663	$702,500	$0	$1,639,480
774 Union Avenue, Bronx	$13,139,689	$10,314,073	$1,000,000	$0	$1,825,616
993-995 Union Avenue, Bronx	$20,919,573	$16,264,500	$1,600,000	$0	$3,055,073
1042 Longfellow, Bronx	$1,586,780	$1,586,780	$0	$0	$0.00
406-08 East 10th, NY	$10,775,124	$5,975,806	$765,000	$837,866	$3,196,452
533 East 11th, NY	$6,441,624	$3,983,871	$492,500	$159,839	$1,805,414
656 East 12th, NY	$5,104,572	$2,561,060	$315,000	$287,650	$1,940,862
2274 Adam Clayton Powell Blvd., NY	$2,862,987	$1,858,004	$280,000	$0	$724,983
202 West 133rd, NY	$8,460,816	$5,043,153	$760,000	$0	$2,657,663
24 West 132nd, NY	$4,523,686	$2,654,291	$400,000	$0	$1,469,395
Total	**$132,113,356**	**$87,275,770 (66%)**	**$9,445,000 (7%)**	**$1,887,774 (1%)**	**$33,504,812 (25%)**
		$96,720,770 (73%)		**$35,392,586 (26%)**	

* All financing numbers are considered "projected" until each building converts to cooperative. This is due to the fact that any cost overruns between projection date and the conversion date will need to be covered by a permanent financing source. Additionally, sales proceeds are projections, assuming that 100% of currently occupied units are purchased by the current occupants, even though up to 20% of the existing residents may choose to stay in the building as renters.

Appendix 8

Breakdown of Occupied and Vacant Units for the 19 Buildings Undergoing the Marketing and Conversion Phase

Building Address	Total No. of Units in Building	No. of Units Occupied Going into Marketing Phase	Occupancy Rate	No. of Vacant Units Going into Marketing Phase	Vacancy Rate
55 Carlton Avenue, Bklyn	6	2	33%	4	67%
550 DeKalb Aven., Bklyn	7	4	57%	3	43%
406 Lenox Avenue, NY	9	4	44%	5	56%
*422 Lenox Avenue, NY	N/A	N/A	N/A	N/A	N/A
424 Lenox Avenue, NY	7	1	14%	6	86%
426 Lenox Avenue, NY	7	0	0%	7	100%
**428 Lenox Avenue, NY	N/A	N/A	N/A	N/A	N/A
432 Lenox Avenue, NY	3	1	33%	2	67%
518 West 161st, NY	24	15	63%	9	38%
544-46 West 163rd, NY	20	11	55%	9	45%
601 West 148th, NY	20	12	60%	8	40%
406-08 East 10th, NY	21	12	57%	9	43%
533 East 11th, NY	14	8	57%	6	43%
656 East 12th, NY	9	3	33%	6	67%
2274 Adam Clayton Powell Blvd., NY	14	4	29%	10	71%
24 West 132nd, NY	20	5	25%	15	75%
774 Union Avenue, Bronx	25	7	28%	18	72%
993 Union Avenue, Bronx	20	9	45%	11	55%
995 Union Avenue, Bronx	20	6	30%	14	70%
Total	**246**	**104**	**42%**	**142**	**58%**

* Building 422 Lenox Ave. merged with Building 424 Lenox Ave.
**Building 426 Lenox Ave. is in the process of merging with Building 428 Lenox Ave.

Appendix 9

Resident Survey

The following is a breakdown of survey questions sent to and responses received from residents who are in the TIL program waiting to be converted under the ANCP:

Status of Building

Location of Tenant Respondents	
Reported number of zip codes	**13**
Reported number of buildings	**29**

Please indicate the status of the buildings where you currently reside:		
TIL Building	41	84%
TIL/Co-op	5	10%
Co-op (Under ANCP)	1	2%
Relocated Building	2	4%
Total	**49**	**100%**

Regardless of whether your building converted to co-op or rental, what was your personal choice during the vote?		
Convert to co-op	37	90%
Remain in rental	4	10%
Total	**41**	**100%**

Information, Access, and Training

Who informed you how long the rehabilitation project would take? (Select all that apply)		
HPD	18	44%
HPD and Developer	5	12%
HPD, Developer, and TA	7	17%

HPD and TA	2	5%
Developer	6	15%
HPD, Developer, TA, and Restoring Communities	1	2%
No one informed me	1	2%
Do not remember	1	2%
Total	**41**	**100%**

Were you informed that there is a rental option if you are not interested in ANCP?		
Yes	9	23%
No	12	30%
Do not remember	19	48%
Total	**40**	**100%**

Were you able to access your belongings from storage when you needed to?		
Yes	0	-
No	4	10%
Do not remember	35	90%
Total	**39**	**100%**

Identify which of the following areas you received training in from HPD, UHAB and/or any other entity. (Select all that apply)		
*Co-op conversion process and/or at least one additional area	15	39%
Financial management	4	10%
Financial management; Property management; How to deal with language barriers	1	3%
All of the above	6	15%
None of the above	13	33%
Total	**39**	**100%**

* Additional areas of traininng include the following: co-op share succeeded to a family member, financial management, how to deal with eductaional barriers, preparation for self-management and ownership

Level of Satisfaction with Conversion Process

How satisfied are you that information regarding the conversion process was clearly presented to you and that your questions about the process were answered?		
Very satisfied	6	15%
Satisfied	7	18%
Somewhat satisfied	13	33%
Dissatisfied	1	3%
Very dissatisfied	9	23%
Not applicable	3	8%
Total	**39**	**100%**

What was your level of satisfaction with the reassigned living conditions?		
Very satisfied	3	8%
Satisfied	5	13%
Somewhat satisfied	6	16%
Dissatisfied	1	3%
Very dissatisfied	4	11%
Not applicable	19	50%
Total	**38**	**100%**

What is your overall level of satisfaction with your communication with the developer?		
Very satisfied	3	8%
Satisfied	6	16%
Somewhat satisfied	4	11%
Dissatisfied	5	14%
Very dissatisfied	7	19%
Not applicable	12	32%
Total	**37**	**100%**

If residing in a building that has already converted to a Co-op, what is your overall level of satisfaction with the repairs made to the building?		
Very satisfied	0	-
Satisfied	0	-
Somewhat satisfied	0	-
Dissatisfied	0	-
Very dissatisfied	0	-
Not applicable	35	100%
Total	**35**	**100%**

If residing in a building that has already converted to a Co-op, what is your overall level of satisfaction with the repairs made to your unit?		
Very satisfied	0	-
Satisfied	0	-
Somewhat satisfied	0	-
Dissatisfied	0	-
Very dissatisfied	0	-
Not applicable	35	100%
Total	**35**	**100%**

What is your overall level of satisfaction with the conversion process?		
Very satisfied	0	-
Satisfied	2	6 %
Somewhat satisfied	3	9%
Dissatisfied	1	3%
Very dissatisfied	6	17%
Not applicable	23	66%
Total	**35**	**100%**

Demographics

What is your ethnicity?		
White/Caucasian	0	-
Black/African American	19	48%
Hispanic	13	33%
Asian	0	-
Native American	0	-
Other	2	5%
Prefer not to say	6	15%
Total	**40**	**100%**

What is the primary language spoken in your home?		
English	37	82%
Spanish	4	9%
French/Creole	0	0%
Chinese	0	0%
Russian	0	0%
Other	3	7%
Prefer not to say	1	2%
Total	**45**	**100%**

Please select the number of individuals residing in the apartment (including yourself).		
1	9	20%
2	10	23%
3	8	18%
4	10	23%
5	5	11%
6	2	5%
7	0	0%
8	0	0%
9	0	0%
10	0	0%
Total	**44**	**100%**

What is your total annual household income?

Below $25,000	9	20%
$25,001 - $50,000	16	36%
$50,001 - $75,000	3	7%
$75,001-$100,000	1	2%
Above $100,000	0	0%
Prefer not to say	15	34%
Total	**44**	**100%**

What is the gender of the head of household?		
Male	21	48%
Female	21	48%
Non-binary	0	0%
Prefer not to say	2	4%
Total	**44**	**100%**

Appendix 10

Tenant Association Survey

The following is a breakdown of survey questions sent to and responses received from TA members who are in the TIL program waiting to be converted under the ANCP:

Status of Building

Location of Tenant Association Respondents	
Reported number of zip codes	**8**
Reported number of buildings	**14**

Please indicate the status of the buildings where you currently reside		
TIL Building	16	94%
TIL/Co-op	0	-
Co-op (Under ANCP)	1	6%
Relocated Building	0	-
Total	17	**100%**

Please provide the status of your building.		
Waiting for developer to be assigned (HPD selects/matches qualified developer with cluster of buildings for development)	8	47%
Pre-Development (Creation of construction budget, financing, scope of work, and temporary relocation of tenants)	2	12%
Construction (Building under construction, tenants attend Co-op homeownership training)	0	-
In the process of marketing & conversion (Vacant units are sold through public lottery, ownership of Co-op is to tenants)	0	-

Converted to Co-op	1	6%
Opted out of joining ANCP	0	-
Do not know	6	35%
Total	**17**	**100%**

Support Received

Please identify the support your Tenant Association receives from HPD & UHAB. (Select all that apply)		
At least one or more was selected from the following categories: Preparing monthly reports; Training on conducting tenant meetings; Providing guidance on starting legal proceedings against tenants in rent arrears	6	55%
Other	1	9%
None	1	9%
Not Applicable	3	27%
Total	**11**	**100%**

Please identify the support your Tenant Association receives from the developer. (Select all that apply)		
Provides information about the conversion process	2	18%
Provides updates on the conversion status	1	9%
None	1	9%
Not applicable	7	64%
Total	**11**	**100%**

Phases in Conversion Process

For phase 1 “Developer Designation,” how long did it take to complete this phase?		
Within 3 months	0	-
4-6 months	0	-
6-12 months	1	10%
12-18 months	0	-
18-24 months	0	-
More than 2 years	0	-
Still in progress	5	45%
Not applicable	5	45%
Total	**11**	**100%**

For phase 2 “Pre- Development,” how long did it take to complete this phase?		
Within 18 months	0	-
18-24 months	0	-
2-2.5 years	0	-
2.5-3 years	0	-
More than 3 years	0	-
Still in progress	2	18%
Not applicable	9	82%
Total	**11**	**100%**

For phase 3 “Construction,” what was the length of time from when the relocation of tenants began to their return to the building?		
Within 24 months	0	-
2-2.5 years	0	-
2.5-3 years	0	-
More than 3 years	0	-
Still in progress	1	11%
Not applicable	8	89%

Total	**9**	**100%**

For phase 4 "Marketing & Conversion," what was the length of time from the advertising for sale of the vacant units to when the Co-op was transferred to tenants?		
Within 6 months	0	-
6-9 months	0	-
9-12 months	0	-
More than 1 year	0	-
Still in progress	0	-
Not applicable	9	100%
Total	**9**	**100%**

Identified Concerns

Have tenants from your association identified concerns regarding any of the following: (Select all that apply)		
Length of conversion process	4	50%
Length of conversion process; Cost of co-op ownership	1	13%
No concerns identified	3	38
Total	**8**	**100%**

Have tenants from your association identified any of the following concerns regarding unit relocation: (Select all that apply)		
Poor conditions	0	-
Unit size	0	-
Unit location	0	-
Accommodation for disabilities	0	-
Accommodation for elderly	0	-
Total		

Level of Satisfaction with Conversion Process

What was your Tenant Association's level of satisfaction with the way that tenant concerns were addressed by HPD personnel?		
Very satisfied	1	12%
Satisfied	2	22%
Somewhat satisfied	2	22%
Dissatisfied	2	22%
Very dissatisfied	2	22%
Not applicable	0	-
Total	**9**	**100%**

What was your Tenant Association's level of satisfaction with the way that tenant concerns were addressed by developer?		
Very satisfied	0	-
Satisfied	1	11%
Somewhat satisfied	1	11%
Dissatisfied	1	11%
Very dissatisfied	0	-
Not applicable	6	67%
Total	**9**	**100%**

What was your Tenant Association's level of satisfaction with the repairs made to the building?		
Very satisfied	0	-
Satisfied	3	33%
Somewhat satisfied	2	22%
Dissatisfied	0	-
Very dissatisfied	0	-
Not applicable	4	44%
Total	**9**	**100%**

What is your Tenant Association’s overall level of satisfaction with the conversion process?		
Very satisfied	0	-
Satisfied	1	11%
Somewhat satisfied	1	11%
Dissatisfied	2	22%
Very dissatisfied	0	-
Not applicable	5	56%
Total	**9**	**100%**

Department of Housing Preservation & Development
nyc.gov/hpd

ADOLFO CARRIÓN JR.
Commissioner

Office of the Commissioner
100 Gold Street
New York, NY 10038

December 13, 2024

Maura Hayes-Chaffe
Deputy Comptroller for Audit
Office of the City Comptroller
David Dinkins Municipal Building
1 Centre Street
New York, NY 10007

Re: Audit of HPD's Administration of the Affordable Neighborhood Co-operative Program (ANCP) – MG22-102A

Dear Ms. Hayes-Chaffe,

Thank you for the opportunity to respond to your Audit Report. Our Agency is committed to creating affordable homeownership opportunities for New Yorkers and for setting up homeowners and co-ops for success.

We were pleased and grateful the report recognizes that ANCP is a truly affordable program and acknowledges the specific and creative ways that HPD brings together various sources of revenue and subsidy to achieve best program results. We are proud of the work that we do in support of ANCP co-ops, and we hope that this report finally and fully dispels unfounded concerns about the cost of ANCP for those who participate in the program.

On the other hand, it was disappointing to see the term "delayed" used so frequently and mostly inaccurately to describe ANCP co-op conversion. As we shared with your team numerous times during the audit, there is no moment in the course of the ANCP project lifecycle that HPD is not working directly with residents to renovate and finance co-ops as promptly as possible. Doing this work, while taking into account expressed resident needs and desires, regulations that HPD must comply with, and the Agency's commitment to deep affordability, is not "bureaucratic limbo" as the report claims; it involves very active and constant communication, commitment, and collaboration on the part of HPD staff and prospective co-op residents.

We remain steadfast in our efforts, and our response adds the missing texture to the report that highlights the crucial differences between process bottlenecks and intentionally deliberate approaches. It also clarifies that HPD was aware of the issues raised in the report before receiving it (and in many cases, before the audit began). We are already well underway with, or have completed, work related to all the recommendations mentioned in this report.

Thank you for the opportunity to provide comments.

Sincerely,

Adolfo Carrión, Jr.

Agency Response:
New York City Department of Housing Preservation & Development (HPD) to the Office of the New York City Comptroller

Audit of HPD's Administration of the Affordable Neighborhood Co-operative Program – MG22-102A

Date of Response: December 13, 2024

Overview

The New York City Department of Housing Preservation & Development (HPD, or the Agency) is providing comments to the Office of the New York City Comptroller (Comptroller). These comments respond to the Comptroller's audit to assess the effectiveness of the Affordable Neighborhood Co-operative Program (ANCP, or the program) in creating affordable co-ops for tenants of buildings in the Tenant Interim Lease (TIL) program, per a Draft Report (the report) issued to HPD on November 25, 2024.

As stated in the Comptroller's Summary of Findings, "[t]he goals of the Affordable Neighborhood Cooperative Program (ANCP) are met when HPD rehabilitates and converts buildings that have been part of the Tenant Interim Lease (TIL) program into economically self-sufficient, low-income cooperatives." **HPD is glad that the Comptroller's team has certified in this report what HPD proudly affirms: ANCP provides exceptional, fully-renovated homeownership opportunities affordable to households of low incomes.** We appreciate the Comptroller's recognition of the expert use of City financing, Section 8 subsidy, and the marketing and sale of vacant units to ensure that this housing is on the best financial footing from the start and that residents' shares of housing payments are as low as possible. The facts are well-articulated and clear, and demonstrate that through ANCP, HPD meets its mission as a provider of truly affordable homeownership opportunities for New Yorkers.

The Comptroller's primary concern, as expressed in this report, has to do with the time required to complete the ANCP conversion process, concluding that because a small percentage of ANCP co-ops have thus far completed their rehabilitation all ANCP co-ops are "delayed" in their rehabilitation processes. **However, it is inaccurate to imply, as this report does, that HPD, in its authority, could necessarily shorten ANCP project timelines across the portfolio without sacrificing ANCP's goals of housing quality, housing affordability, and resident empowerment.** HPD will address this point further in the next section and will also correct or reframe other errors of fact and interpretation that the Comptroller's report sets forth.

For the sake of brevity, HPD will not respond to all inaccuracies contained in this report and will instead focus on only the most significant; note that HPD made each of these points, or versions of them, directly to the Comptroller's auditing team during audit fieldwork and review. The Agency also makes this note to the reader: <u>Several of the Comptroller's errors and/or misunderstandings stem from the fact that HPD did not see a complete version of the Comptroller's findings before this report was issued.</u> Had HPD been provided an opportunity to discuss the auditors full and final set of findings, the Comptroller and Agency teams could have worked together to produce a report that more accurately recalled key fieldwork discussions and conclusions, and was more complete, valid, and meaningful.

<u>Responses to Detailed Findings</u>

1) **The report affirms that converted ANCP units are affordable for residents of low incomes, that ANCP's financing structures do not pose a risk to ongoing resident affordability, and that many of ANCP's terms are more favorable to residents than those of the prior TIL program.**

<u>In doing so, the report dispels many of the most pervasive and harmful misconceptions about ANCP, which too often hinder HPD's ability to complete ANCP projects and extend homeownership opportunities to additional New Yorkers.</u>

Some of the greatest challenges to ANCP project completion stem from potential program participants holding false beliefs about hidden costs, higher monthly fees, or other financial threats to housing stability. HPD is grateful that the Comptroller's audit team helpfully undermines these false beliefs and certifies the program's affordability, which HPD hopes will assuage certain unfounded anxieties.

As highlights, which the Agency was pleased to see:

- <u>The report described the many ways that HPD creates a sound and stable financial basis for ANCP co-ops</u>. Specifically, the report helpfully states that…
  - "the maintenance fees under ANCP, which are calculated at 40% AMI[1], remain affordable under HUD's affordability guidelines" (p. 9);
  - "HPD assists tenants with obtaining Section 8 vouchers" if the tenants struggle to afford the 40% AMI maintenance fees (p. 9);
  - "…existing tenants may purchase their fully renovated apartments for $250 or $2,500, depending on their income" (p. 4);
  - ANCP projects are "primarily publicly funded" with HPD loans and other government sources comprising 73% of total project funding and private loans only comprising 1%;
  - HPD loans have 0% interest and "$0 monthly payments if the coop complies with HPD's requirements (such as affordability restrictions)" (p. 12); and
  - the sale of vacant units generates additional revenue for the ANCP co-ops (p. 9, 12).

- <u>The report corrected or qualified ANCP survey respondent feedback</u>. In a Comptroller-issued survey, ANCP program participants and Tenant Associations cited concerns regarding the cost of the building's permanent mortgage, its impact on the monthly maintenance fees, and the possibility of tenancy loss. The report then clarifies, however, that (p. 25) "there was some misunderstanding about this component of the program", it "is not the case… [that] residents have individual mortgages" and that "there should be no misunderstanding regarding the financial implications of ANCP conversion."

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[1] HPD would like to note that there are several errors in the methodology used to calculate the figures in Appendix V of the Comptroller's report. These errors yield a range of monthly maintenance fees ($2,343 to $3,150) that is higher than what would be affordable to 40% AMI households. Using 2024 HUD AMIs, HPD would instead estimate that monthly maintenance that does not exceed roughly a third of a 40% AMI household's income to be closer to $1,165 for a one-bedroom, $1,398 for a two-bedroom, or $1,615 for a three-bedroom apartment. Nonetheless, the Comptroller's findings regarding the affordability of ANCP co-ops stand because all of the co-ops surveyed still meet or exceed the more affordable thresholds HPD has estimated here. More information about housing costs and AMI is available on HPD's website at: https://www.nyc.gov/site/hpd/services-and-information/area-median-income.page.
Area Median Income - HPD

- <u>The report underscores that some of ANCP's terms are more favorable for participants than those of the prior TIL program,</u> including:
    - ANCP's provision of a full property tax exemption to keep building costs low as opposed to the partial exemptions provided under TIL (p. 4),
    - ANCP's comprehensive rehabilitation scope, such that "under ANCP, tenants are taking ownership of fully gut renovated units rather than partially repaired units" (p. 9),
    - ANCP's comparatively larger amount of operating reserve funding to support the long-term financial health of converted co-ops (Appendix IV), and
    - key differences in restrictions on apartment sales, which enable shareholders to receive a much larger percentage of sales proceeds under ANCP than under TIL, enhancing residents' ability to build wealth via homeownership (Appendix IV).

2) The report inaccurately asserts that "very few buildings have converted and very few program participants own their apartment... because of lengthy delays in the process."

A) <u>It is HPD's commitment to not dilute high standards of resident engagement, construction quality, deep affordability, and co-op stability for speed of completion.</u>

HPD's goal is to help create deeply affordable co-ops that meet resident expectations and that residents can manage, afford, and sustain thereafter. As discussed repeatedly with the Comptroller's team, the length of time required to do this careful, collaborative work with residents differs between properties.

Throughout this 30-month audit, HPD provided extensive documentation of resident-led decision-making and HPD's frequent touch-points with residents, demonstrating that there is no instance in the course of an ANCP process where HPD is not working actively with or on behalf of residents to move co-op shareholders into high quality, refurbished apartments as promptly as possible without sacrificing housing quality, resident autonomy, or sustained affordability. While not as rapid as other forms of housing development (such as new construction rental housing), a uniformly speedier approach in a uniquely affordable homeownership program such as ANCP would result in inferior program outcomes.

Below are examples to demonstrate that the pace of HPD's progress is often necessary. (Note that these are just two examples from among many that HPD provided to the Comptroller's team, with supporting documentation, during the audit.)

- In early 2024, HPD was ready to assign a new sponsor to an ANCP cluster to move the project through pre-development:
    - **To prioritize speed,** HPD could have, in its own discretion, quickly selected a sponsor from the pre-qualified list established by the ANCP-TPT-Special Projects RFQ.
    - **To prioritize ANCP's goal of resident empowerment,** HPD instead asked the residents whether they would prefer to select the sponsor themselves from among pre-qualified organizations that HPD would present to them. Even after HPD informed them that this option would add several months to the project timeline (so that HPD could screen potential sponsors, arrange for resident-sponsor meetings, and facilitate a formal vote), the residents of the project opted for this approach; HPD supported their choice.

- During a project's construction in 2021, mortgage interest rates increased steeply nationwide.
    - **To prioritize speed,** HPD could have proceeded with selling vacant units for the previously budgeted prices, resulting in those units being significantly less affordable.

- **To prioritize ANCP's goal of deep affordability,** HPD restructured the project's budget and received the approvals necessary to reduce sales prices and maintain deep affordability. These steps added about four months to the project's timeline but ensured that the co-op's deep affordability was preserved.

HPD absolutely agrees that certain properties have experienced delays that the Agency and residents both recognize are longer than hoped for to achieve the program goals; in B) and C), below, HPD references this reality and the actions taken to address it.

B) <u>The report has implicitly assigned accountability to HPD for delay conditions that would be present in any housing development scenario</u>.

It is often not the case, as the Comptroller's report implies, that development-related delays are largely within HPD's exclusive ability to mitigate. Below are examples of circumstances of delay beyond HPD's sole authority to resolve. (Note that these are just three examples from among many that HPD provided to the Comptroller's team, with supporting documentation, during the audit.)

- Where projects needed approvals, inspections, or input from other agencies, the additional coordination naturally may have caused related delays. HPD mitigated such delays through active project management, as much as possible, and is also pursuing deeper structural reforms in collaboration with other agencies (as noted in later sections) to speed completion further.
- Where unauthorized squatters were discovered in a building that needed to be vacated before construction could commence, HPD could not circumvent a lengthy legal process needed to ensure the building was emptied and that the individuals living in the building were extended due process rights.
- Where the Covid-19 pandemic forced construction to halt, required additional safety precautions to be reviewed, approved, and implemented, or posed supply-chain related construction challenges, development sponsors, with HPD's support, needed to adjust project timelines and budgets accordingly.

These and other types of delays are not endemic to ANCP – they may impact any type of real estate development or renovation in New York City. Insofar as the Comptroller's audit team did not engage in a comparative analysis of these types of project delays relative to other residential properties to assess whether ANCP has an unusually high incidence of such delays, it is not possible to determine whether their effect on ANCP timelines is unusually great.

This said, HPD strives to mitigate these and other types of delays wherever possible, efforts which we further detail in the Recommendations section.

C) <u>The report incorrectly asserts that "Limited Evidence that Attempts to Mitigate Delays Were Taken"</u>.

HPD provided extensive evidence of its efforts to mitigate delays, which it appears that the Comptroller's audit team did not fully review. As alluded to on pages 16-18 of the report, an obvious misunderstanding occurred between the Comptroller's auditing team and the Agency about what information the auditors were seeking regarding HPD's efforts to address delays in ANCP rehabilitation; details aside, the auditing team and Agency team corrected their misunderstanding and HPD transmitted all applicable documents. Nonetheless:

- *despite citing HPD's own analysis of reasons for and responses to delays, the report repeatedly states that HPD provided "limited evidence" or "no evidence" of delay mitigation, or of ingenuity and determination in addressing delays.* Note that HPD ultimately provided the universe of information ("hundreds of pages of documentation") demonstrating its enormous and consistent effort over a period of years to mitigate every delay across the entirety of the ANCP portfolio.

- *the report did not adequately recognize resident misconception-based fears about ANCP as the source of many projects' most significant and intractable delays*. HPD provided the auditors with substantial documentation for multiple examples where such fears hamstrung projects for months, years, or indefinitely, and also documentation of HPD's consistent and concerted effort to correct this false information via various written and in-person engagements.

- *HPD was especially disappointed to read that "because [certain] information was supplied so late in the process, the auditors have been unable to evaluate the effectiveness of" the efforts that this material describes*. If the Comptroller's team has chosen not to review fully HPD's overwhelming proof of commitment to (and success in) mitigating delays as submitted, then it is unfair to assert that the Agency has provided no such proof.

3) The report references ANCP administrative management issues that have already resolved, lack supporting evidence, or never existed.

- <u>*Cost of ANCP "Delays"*</u>
  The report's inclusion of implied monetary costs of ANCP timelines is misleading and irrelevant, as the auditors have not investigated or provided a comparable analysis of the cost of completing these co-op projects faster. Indeed, as the report notes, HPD created ANCP because of proven risks inherent in moving too quickly from redevelopment start-to-finish, as made evident in ANCP's forerunner program, TIL; TIL may have produced co-ops more rapidly at times, but overall, many of these properties are struggling and have returned to HPD for further financing and support when their physical and financial structure proved insufficient.

  HPD has publicly testified, and provided information detailing the same to the Comptroller's auditors, that more than one in three co-ops created under TIL are now at high risk of financial and/or physical distress; many of these co-ops are now receiving additional assistance from HPD to remedy their conditions. The care and attention central to ANCP's methodical process is a direct response to lessons the agency learned from these outcomes under TIL.

- <u>*ANCP Project Tracking*</u>
  The report repeatedly references HPD's "lack of a centralized mechanism to track and review delays," but also notes that HPD *does* have such as system (a combination of HPDWorks and comprehensive supplementary trackers). The system is not ideal, but it exists and is more strongly suited to the purpose than the report implies. Insofar as this system does not optimize HPD's use of data (which HPD agrees with), the Housing Project Management System (HPMS) referenced in the report is already in development, having already been financed with Battery Park City Authority Joint Purpose Funding, the very funding that the report suggests using; during this audit, HPD provided the auditors with documentation of progress made toward

procuring and implementing the new software, most recently including the hiring of full-time staff to oversee its development.

- *HPD Oversight of ANCP Co-ops*
  The report asserts that "HPD Did Not Always Enforce Regulatory Agreement Requirements for Converted Co-ops." Yet, notably, the auditors did not find evidence of physical or financial distress among any ANCP co-op, or evidence that affordability requirements had been violated. The purpose of HPD's Regulatory Agreements is to provide a structure for HPD to address noncompliance that threatens physical safety, financial sustainability, and long-term affordability. Consistent with the goals of ANCP, HPD does not leverage enforcement mechanisms when co-op shareholders are successfully demonstrating capacity for semi-autonomous self-management. As HPD explained to the Comptroller's audit team, the Agency cooperates with nonprofit partners who monitor and support the co-ops but otherwise uses discretion in enforcement based on its assessment of each co-op's physical and financial health.

- *Planned Improvements to ANCP*
  In the introduction to the section "Improvements Implemented or Planned by HPD", the report leaves a reader with the impression that these improvements follow from auditor feedback. In fact, all of these improvements were planned, underway, or implemented before the audit began or before HPD received the auditor's initial findings; as such, the report fails to credit HPD for its own self-diagnosis or proactive solutioning. The Responses to Recommendations will further discuss these and other improvements.

Responses to Recommendations

Notwithstanding the Agency's responses to certain of the report's Detailed Findings, HPD is always seeking to improve its approach to providing quality homeownership opportunities. To that end, the Agency proposes the following with regard to the report's Recommendations.

- ***Recommendation 1: Develop a centralized mechanism to readily identify specific issues delaying the completion of projects.***
  HPD agrees with this recommendation; as noted above, HPD has already secured funding for the implementation of an integrated project management system across the Agency, a process that began prior to receipt of this report.

- ***Recommendation 2: Analyze the most commonly recurring causes of delays and develop strategic approaches to addressing these, making programmatic and contractual changes to remove obstacles upfront.***
  HPD partially agrees with this recommendation. As noted above, deliberate processes misconstrued as "delays" in the report are invaluable in bolstering resident autonomy and improving housing quality. With regard to addressing certain true delays, however, HPD has already developed various strategic approaches, including making programmatic and contractual changes to improve efficiency, expediency, and coordination with other City agencies. HPD has taken these approaches since prior to this audit, shared documentation of them with the auditors throughout the course of the audit, and will continue to refine them as applicable.

  As an additional note: The Comptroller claims that reasons for delay are "common, known, and otherwise established or routine parts of the process" (p. 8) and criticizes HPD for not innovating solutions to such predictable challenges (p. 18). If solutions to these delays are so within grasp, HPD would have appreciated A) recommendations that reference specific feedback on the evidence of changes that the Agency has made and shared with the Comptroller's team, and/or B) novel recommendations, rather than a generic suggestion of "changes".

- ***Recommendation 3: Regularly evaluate project progress against time benchmarks and proactively and timely implement mitigation strategies to address individual project delays as they occur.***
  HPD agrees with this recommendation; however, the Agency currently comports with this recommendation and would have continued to do so as a regular order of business regardless of the outcome of the audit; specifically, the Agency currently evaluates project progress against the project-specific benchmarks communicated to residents and implements mitigation strategies to address individual delays as they occur.

- ***Recommendation 4: Update the ANCP brochure listed on its website to include the most recent timeframes for benchmarks and targets for the different stages of conversion.***
  HPD partially agrees with this recommendation. As noted above, project benchmarks are not uniform due to the uniqueness of individual project needs, challenges, and resident expectations; HPD already provides updated, project-specific timeframes and targets to residents via in-person meetings, conversations with the new Deputy Director of Community Engagement and other staff,

and written correspondence. However, the Agency agrees that also updating materials on ANCP's webpage would help convey current information to the public.

- ***Recommendation 5: Develop and share with tenants new conversion completion targets for each pending conversion, based on new benchmarks HPD has indicated it is in the process of developing. HPD should also and track and report progress against such benchmarks to tenants.***
  HPD partially agrees with this recommendation; however, the Agency currently comports with this recommendation and would have continued to do so as a regular order of business regardless of the outcome of the audit. Specifically, as noted above, project benchmarks are not uniform due to the uniqueness of individual project needs, time-specific challenges, and resident expectations; HPD already provides updated timeframes and targets to residents via in-person meetings, conversations with the new Deputy Director of Community Engagement and other staff, and written correspondence. If unforeseen challenges emerge that lengthen timelines, HPD and project sponsors communicate these changes to residents.

- **Recommendation 6: Continue to explore methods that can be used to establish better communication and relationships with its tenants about the ANCP conversion process (including the possibility of surveys) and continue its ongoing efforts to solicit tenant feedback.**
  HPD agrees with this recommendation; as referenced in the report, HPD has already created and hired a new full-time position dedicated to communicating with residents (Deputy Director of Community Engagement); HPD has also increased the number of standard resident meetings, and introduced a democratic, resident-driven process for sponsor selection—program policy changes that began prior to receipt of this report. HPD appreciates the audit's acknowledgement that the Agency has demonstrated innovation in its communications with residents and commitment to centering tenant voices in project development to-date.

- **Recommendation 7: Work with different City entities (City Council, OMB, DOB) to encourage interagency collaboration and cooperation towards a more streamlined approval process.**
  HPD agrees with this recommendation; however, the Agency currently comports with this recommendation and would have continued to do so as a regular order of business regardless of the outcome of the audit. As the report states, HPD provided the auditors with extensive information regarding newly created interagency coordinator positions within HPD's Division of Building and Land Development Services as well as specific relevant initiatives that are already underway as part of the administration's 2022 Get Stuff Built plan. Please also see the response to Recommendation 2.

- **Recommendation 8: Collect and review all information required after conversion to facilitate financial solvency of each building and to help ensure that maintenance fees are increased based on the needs of the buildings.**
  HPD agrees with this recommendation; however, the Agency currently comports with this recommendation and would have continued to do so as a regular order of business regardless of the outcome of the audit. As noted above, HPD does not leverage regulatory consequence in situations where the co-op shareholders are demonstrating capacity for semi-autonomous self-

management, but appreciates the audit's implicit acknowledgement that the Agency successfully facilitates the financial solvency of converted ANCP co-ops given the dearth of buildings in physical or financial stress.

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