

# Housing Subsidy Reform Policy Proposal (TCAP)

## Core Research Question

*How might New York City reconceptualize and structurally redesign its housing subsidy infrastructure to facilitate not only affordability but actual tenant ownership, thereby enabling sustainable intergenerational wealth accumulation within historically disenfranchised and racially marginalized communities?*

## 1.1 Policy Framework

This proposal introduces the **Tenant Co-op Acquisition Program (TCAP)** as a policy vehicle to transition NYC's housing subsidy architecture from a rent-centered paradigm toward one rooted in collective tenant ownership and wealth equity.

### Key Innovation: Subsidy Redirection

TCAP repurposes public subsidies—such as Section 8 Housing Choice Vouchers (HCV), CityFHEPS, and HASA—from rent payments to instruments that directly facilitate the acquisition and cooperative conversion of multifamily rental buildings into limited-equity housing cooperatives.

### Property Selection Criteria

- Distress levels and repeat code violations
- Appearance on NYC Public Advocate's Worst Landlords List
- Neighborhoods facing acute gentrification pressure
- Existing tenant organizing infrastructure

## 1.2 Strategic Approach

Under TCAP's operational structure, subsidies will initially retain their rent-support function before transitioning in phases to support equity acquisition, cooperative reserve contributions, and long-term capital improvements.

### Governance Structure

Administrative oversight and program implementation will be managed by **HPD**, working in formal partnership with:

- NYS Homes and Community Renewal (HCR)
- Community development financial institutions (CDFIs)
- Credit unions
- Legal service providers
- Established tenant advocacy coalitions

## Fiscal & Economic Viability

TCAP is explicitly designed to be fiscally self-sustaining over a five-year implementation horizon.

### Comparative Cost Analysis

Category	Status Quo (Rental)	TCAP Model
Annual Rental Subsidy/Unit	\$21,600	\$18,000 (phase-out yr 5)
Shelter/Eviction Response	\$7,400	\$1,500

Technical Assistance	N/A	\$1,200
<b>Total Annual Cost</b>	<b>\$32,800</b>	<b>\$26,200</b>

Unit-Level Cost Breakdown (Pilot)

Item	Amount (Per Unit)
Down Payment via Redirected Subsidy	\$20,000
Repairs and Capital Reserve	\$12,500
Legal/Title Transfer Costs	\$5,000
Technical Assistance (Year 1–2)	\$3,000
Co-op Governance Training	\$2,500
<b>Total Cost Per Unit (One-Time)</b>	<b>\$43,000</b>

▼ Appendix A: Financial Tables & ROI Modeling

A.1 Comparative Cost Analysis (Annual)

Metric	Status Quo	TCAP Model	Difference
Annual Subsidy/Unit	\$21,600	\$18,000	-\$3,600
Shelter Response Cost	\$7,400	\$1,500	-\$5,900
Legal Support	\$2,000	\$3,500	+\$1,500
Admin Overhead	\$1,800	\$1,200	-\$600
<b>Total/Unit/Year</b>	<b>\$32,800</b>	<b>\$26,200</b>	<b>-\$6,600</b>

A.2 Return on Investment (ROI) Scenarios

Scenario A – 24-Unit Building (Bronx CD 6)

- Conversion cost: \$1.03M
- Public savings over 5 years: \$1.5M
- Break-even: Year 3.4

Scenario B – 42-Unit Building (Brooklyn CD 33)

- Conversion cost: \$1.98M
- Savings: \$2.9M
- Break-even: Year 2.9

Scenario C – 18-Unit Building (Upper Manhattan HDFC)

- Conversion cost: \$875K
- Savings: \$1.14M
- Break-even: Year 3.1

### B.1 Public Equity Transfer Framework (PETF)

**Purpose:** Codify the legal right to convert subsidy vouchers into cooperative equity instruments.

**Key Provisions:**

- Permit Section 8 HCV and local subsidy redirection into cooperative share purchases
- Establish limited-equity cooperative legal classification under NYS Real Property Law
- Create tenant first-refusal acquisition rights (COPA expansion)
- Authorize HPD subsidy-backed acquisition financing

### B.2 Model Co-op Bylaws

#### Article I – Name and Purpose

The cooperative shall be a housing cooperative organized under Article V-A of the NYS Agriculture and Markets Law. Purpose: to provide affordable housing and foster democratic governance.

#### Article II – Membership

- Membership is limited to occupying shareholders
- No absentee ownership permitted
- Affordability covenant restricts resale to eligible households

#### Article III – Governance

- Board of Directors elected by membership on annual basis
- Minimum board size: 5 members; maximum: 11
- One member, one vote (democratic principle)

### B.3 Memorandum of Understanding (MOU) Template

**Between:** HPD, Tenant Association, Financial Intermediary

**Scope:** Subsidy redirection, acquisition financing, governance support, compliance oversight

- 1.1 HPD shall: Approve property, authorize subsidy deployment, oversee legal compliance
- 1.2 Tenant Association shall: Maintain affordability covenants, submit annual reports, ensure governance transparency
- 1.3 Financial Intermediary shall: Originate acquisition loans, provide TA, manage reserve accounts

### B.4 Acquisition Financing Term Sheet

Parameter	Value
Loan Amount	Up to \$43,000/unit
Term	20–25 years (amortized)
Interest Rate	2–3% (below-market, city-backed)
Security	First lien on cooperative shares; affordability covenant
Conditions Precedent	Legal incorporation, board governance training, tenant vote (66%+)

### B.5 Affordability Covenant Agreement

- **Duration:** 30 years (runs with the property)
- **Eligible Occupants:** Households up to 80% Area Median Income (AMI)
- **Resale Restrictions:** Share buyback formula tied to income-adjusted residual receipts model
- **Default Clause:** If covenant broken, HPD retains right of first refusal to acquire building

## ▼ Appendix C: Technical Assistance Toolkit

### C.1 TCAP Orientation Curriculum

#### Module 1: Cooperative Basics (4 hours)

- History and principles of cooperative housing
- How limited-equity co-ops work (governance, finance, affordability)
- Rights and responsibilities of members
- Legal incorporation overview

#### Module 2: Tenant Organizing & Leadership (6 hours)

- Building and maintaining tenant associations
- Decision-making processes and facilitation
- Conflict mediation and grievance procedures
- Ongoing capacity building

### C.2 Financial Literacy & Governance Training

#### Unit 1: Co-op Finance Fundamentals

- Understanding proprietary lease and shares
- How monthly carrying charges work
- Capital reserve funds and special assessments
- Reading financial statements and budgets

#### Unit 2: Board Governance & Compliance

- Board roles and responsibilities
- Meeting procedures (Roberts Rules)
- Fiduciary duties and legal compliance
- Affordable housing covenant requirements

### C.3 Grievance Mediation Procedures

#### Level 1: Informal Resolution (Within 14 days)

- Direct communication between parties
- Documentation in writing

#### Level 2: Internal Grievance Panel (Within 30 days)

- Submission to co-op board
- Neutral board review
- Documented decision with rationale

#### Level 3: External Mediation (If unresolved)

- Engagement of HPD-approved mediator
- Binding or non-binding resolution

### C.4 Approved Intermediary Provider List (AIPL)

Organizations approved to deliver technical assistance, legal services, and governance training:

- ABC Community Housing Partners – Governance & TA
- XYZ Legal Services – Legal Counsel & Compliance



- 123 CDFI Network – Acquisition Finance & Underwriting
- Community Wealth Collective – Tenant Organizing

## Next Steps (Immediate)

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- Draft and formally adopt standardized legal templates for cooperative formation
- Execute memoranda of understanding (MOUs) among HPD, NYCHA, HCR, and legal aid partners
- Develop and submit comprehensive waiver request to HUD for HCV deployment in cooperative equity acquisition
- Identify and secure five initial pilot properties with readiness assessments
- Initiate citywide communications campaign and stakeholder briefings

## Evaluation Framework

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TCAP will be evaluated against four primary metrics:

- **Housing Stability Index:** Reduction in eviction rates, rent burden, and turnover
- **Subsidy Conversion Efficiency:** Fiscal differential between rental support and ownership investment
- **Ownership Equity Accrual:** Share value, capital reserves, and unit improvements over time
- **Governance and Capacity Metrics:** Tenant board participation, co-op compliance, training engagement