

## **MARK WEPRIN ANNOUNCES SUCCESS ON FLIP TAX RULE CHANGE**

Council Member Mark S. Weprin (D-Oakland Gardens) received notification from the Federal Housing Finance Agency (FHFA) that its proposed rule on private transfer fees includes an exception for fees paid to homeowner associations, condominiums, and cooperatives, which use the proceeds to benefit the property. The initial proposal would have effectively forced local co-ops and condos to eliminate their transfer fees, known as flip taxes, and Council Member Weprin contacted FHFA seeking the exception.

Council Member Mark S. Weprin advocated against the initial proposal in concert with the members of the New York City Council Co-op Condo Caucus. Council Member Weprin established the caucus as a group of Council Members who meet periodically to discuss the issues that co-ops and condos face and how government can be a positive force in addressing those issues.

The proposed guidance that the FHFA was considering for flip taxes would have prevented institutions such as Fannie Mae and Freddie Mac from investing in mortgages on property where a flip tax is in place. This rule would have a detrimental affect on the middle-class residents of New York City who live in cooperative housing associations, more commonly known as co-ops. Instead, FHFA proposes to exclude from the rule transfer fees paid to homeowner associations, condominiums, cooperatives, and certain tax-exempt organizations that use private transfer fee proceeds to benefit the property. Fees that do not directly benefit the property would be barred.

The Caucus's letter to the FHFA noted that co-ops are a popular form of home ownership in New York City. Many of the residents living in co-ops are middle class families and senior citizens on a fixed income. Unlike other private transfer fees that only benefit third-party developers, the flip taxes imposed by most co-ops in New York are added to the capital reserves of these organizations in order to lower the cost of living for residents and to make capital improvements to the housing. Without the ability to charge a flip tax upon the sale of an apartment, some co-ops would be forced to assess their shareholders and residents hundreds of dollars more each month. Co-ops in New York City keep costs in check and enhance both quality of life and property values through capital improvements financed by flip taxes. Due to New York City's unique concentration of co-ops, the Caucus asked for an exemption, which the proposal now includes.

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