

NYC COOP & CONDO LIVING
2 CREDIT HOURS

Cooperative Apartment

- Ownership **(10 MINUTES)**
 - Cooperative Corporation
 - Owns Real Estate (land, buildings, property rights and all interests)
 - Title to Property is in the name of Corporation
 - Ownership interest in a Coop Corp. is evidenced by shares of stock
 - Stock Certificate
 - Proprietary Lease
 - Rights and obligations of lessee (shareholder) and lessor (Coop Corp.)
 - Long term lease of estate of years
 - By-Laws
 - House Rules
 - Leasehold Coops (Coops with Ground Lease)
- Due Diligence
 - Financial Statements **(10 MINUTES)**
 - Each shareholder of the corporation is obligated to pay monthly maintenance charges which are aggregated and used to pay all costs and expenses in operating and maintaining the building
 - A portion of the maintenance payment is allocated to paying the debt service of any underlying building mortgage
 - Each prospective purchaser of a cooperative apartment should have the financial statements of the corporation reviewed to determine if the corporation is being run in a fiscally sound manner
 - Generally, the amount of revenue generated by the building (ie., common charges or maintenance) should be at least equal or greater than building operating expenses
 - Annual increases in maintenance should be in the range of 3%-5% per annum
 - The building should have a reserve fund of at least 10% of the annual common charges/maintenance.
 - Determine if there is an underlying building mortgage and the existing terms of any such mortgage (ie., mortgage amount, interest rate and maturity date).
 - All notes should be thoroughly read as they may contain substantive information such as the status of any pending litigation involving the building.
 - Board Minutes **(10 MINUTES)**
 - Generally, building will conduct regular meetings on a monthly, quarterly, semi-annual or annual basis
 - Board Secretary will take “minutes” at the meetings which are a summary of the topics discussed
 - Board “minutes” are traditionally stored at the office of the managing agent
 - Although managing agents are reluctant to send copies of board minutes to attorney representing the prospective purchaser, the minutes are available
 - for review at the offices of the managing agent
 - Can provide critical information and insight into daily operations
 - Questionnaire **(5 MINUTES)**

- House Rules **(5 MINUTES)**
- Offering Plan **(5 MINUTES)**
- Board Application & Approval **(10 MINUTES)**
 - Application may include:
 - Financial statements (tax returns, verification of employment, etc.)
 - Professional references
 - Personal references
 - Lien Search
 - Commitment Letter from Lender if financing
 - Copy of Contract of Sale
 - Applications reviewed by Management and Board
 - Sales contingent on Board Approval
 - Controlling Contract provision in REBNY Standard Coop Contract of Sale
 - Sale subject to “unconditional consent” of Corporation
- Financing a Coop Apartment Purchaser **(10 MINUTES)**
 - Mortgage vs. Loan
 - Coop Loan: shares of stock (personal property) serve as collateral
 - Mortgage: real property serves as collateral
 - Recognition Agreements
 - UCC-1 Financing Statement
 - Pledges shares of stock and proprietary lease to lender
 - Perfects lender’s security interest in the Coop apartment
 - Foreclosure
 - Nonjudicial process
 - Involved public sale pursuant to Uniform Commercial Code
- Subletting Issues in Cooperative Buildings **(5 MINUTES)**
 - Subleasing of Coop Apartment subject to Board approval
 - Requires application
 - Often restrictions on how long unit may be sublet

Condominium Unit

- Ownership **(10 MINUTES)**
 - Fee Simple Ownership Interest in Real Estate
 - Deed
 - Real Estate Tax Bill
 - Mortgage
 - Title Insurance
 - Condominium Declaration
 - Establishes separate tax lots for each Unit
 - Units possess % common interest
 - Common elements and common charges
 - Use subject to By-Laws of Condominium
- Due Diligence Similarities with Coops **(5 MINUTES)**
- Due Diligence Differences with Coops **(5 MINUTES)**
- Waiver of Right of First Refusal **(10 MINUTES)**
 - Sales subject to Board’s Right of First Refusal
 - Controlling Contract Provision in standard Contract of Sale

- Right rarely exercised
- Coop Board Approval vs. Condo Board Approval
- New Development Projects **(10 MINUTES)**
 - “Sponsor”: Owner/Developer
 - Offering Plan & Amendments
 - AG Approval
 - Tax Abatements & Exceptions
 - Special Risks
 - Schedule A Amendments
 - NYS & NYC Transfer Tax
 - Taxable consideration and NYS mansion tax
 - Purchase Agreement vs Contract of Sale
 - Recordation of Condominium Declaration
 - Certificate of Occupancy
- Condominium Closings **(5 MINUTES)**
 - Coop Closing vs. Condo Closing
 - Closing Costs
- “Condo-op”: Cooperative Corporation that owns the residential portion of a Condominium building
 - Residential portion of building is a single Condominium “Unit” and tax lot
 - Ownership structure is same as normal Cooperative apartment

Townhouses (5 MINUTES)

- Characteristics & Ownership
 - Fee Simple (Deed)
 - Covenants, Conditions and Restrictions (CCRs) incorporated into Deed
 - Title Insurance
- Surveys
 - Lot Lines
 - Easements
 - Encroachments
- Due Diligence
 - Engineer’s Inspection & Property Inspections
- Legal Aspects