


Nixon Peabody advises on first-ever Article 2 to Article 11 co-op conversion


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New York, NY. Nixon Peabody LLP is proud to have advised Cadman Towers on becoming the first Mitchell-Lama Co-op to convert to a Housing Development Fund Corporation (HDFC) Co-op under the City of New York's Article 2 to Article 11 Program. Cadman's participation in the Article 2 to Article 11 Program will ensure long-term affordability and stability for its shareholders for decades to come.

Cadman Towers, a 421-unit complex in Brooklyn, New York, will be now operated as an HDFC under the terms of a 99-year regulatory agreement with the City of New York. Under the regulatory agreement, existing shareholders who sell their apartments will do so at prices pegged as affordable to households earning 80% of the area median income, equivalent to about \$100,000 in income for a family of two. Exiting shareholders will be required to give 50% of their profits back to Cadman Towers to cover building needs and to pay down existing debt. This will provide much-needed revenue to meet the ongoing capital needs of Cadman's buildings.

In August 2023, Cadman Towers shareholders voted overwhelmingly to participate in the Article 2 to Article 11 Program, which will ensure Cadman operates as affordable housing in perpetuity under a 99-year regulatory agreement.

"We are thrilled for Cadman Towers as the first to take advantage of the Article 2 to Article 11 Program and solidify their future as a permanently affordable cooperative," said Nixon Peabody partner **Erica Buckley**, leader of the firm's **Cooperatives & Condominiums** and **State Attorneys General** teams, who led the Cadman Towers deal team. "The Article 2 to

Article 11 Program is a great option for many aging Mitchell-Lama co-ops that want to remain affordable but reorganize themselves to meet current operational needs," said Buckley, who helped put the program in place in 2013.

"Starting with a seemingly simple goal of preserving our existing affordable housing, we quickly realized the immense coordination required for this conversion," said Toba Potosky, president of the board of Cadman Towers. "Despite numerous challenges, the outcome proved worth every bit of the effort. We're extremely thankful to the Nixon Peabody team, whose work made this result possible."

In addition to Buckley, the Nixon Peabody legal team included associate **Natan Szegedi**, department attorney **Nichole Thomas**, senior paralegals **Stephen DuRie** and **Will Truskowski**, and co-op and condo support specialist **Jordan Giordano**.