

# STATE OF NEW YORK

7272

2021-2022 Regular Sessions

## IN ASSEMBLY

April 29, 2021

Introduced by M. of A. L. ROSENTHAL -- read once and referred to the  
Committee on Housing

AN ACT to amend the private housing finance law, in relation to voting, election and referendum procedures; to requirements regarding mutual housing companies considering dissolution and/or reconstitution; to certain duties of a board of directors of a limited-profit housing company; and to prohibiting certain limited-profit housing companies from voluntarily dissolving during the state disaster emergency declared in response to the outbreak of COVID-19

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The private housing finance law is amended by adding a new  
2 section 13-c to read as follows:

3 § 13-c. Voting, election and referendum procedures. 1. Any shareholder  
4 vote shall be conducted using secret ballots. Such ballots shall be  
5 cast in-person by tenants entitled to occupancy in the project; unless  
6 such tenant casts such ballot using an absentee ballot issued pursuant  
7 to subdivision two of this section.

8 2. A shareholder entitled to occupancy in the project shall be enti-  
9 tled to request an absentee ballot to cast a ballot in any shareholder  
10 vote. Such absentee ballot shall be delivered or mailed only to the  
11 primary residence address of a shareholder entitled to occupancy in the  
12 project. An absentee ballot cast pursuant to this subdivision shall be  
13 sealed within two envelopes, shall contain the signature of the share-  
14 holder casting the vote, and shall be mailed to a neutral third party  
15 not running for a position on the board of directors.

16 3. Proxy voting shall not be permitted in an election for a position  
17 on a board of directors, for dissolution of the company, for the author-  
18 ization of a feasibility study, for an offering plan including a red  
19 herring or black book, or any document offered in place of an offering  
20 plan as permitted by the attorney general.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 4. In-person ballots shall produce a paper record which may be audited  
2 in the case of a contested election result.

3 5. No otherwise-eligible person shall be prevented from being a candi-  
4 date for, being elected to, or serving on a board of directors based  
5 solely on that person owing or having owed any amount of any form of  
6 arrears to the housing company, unless, at the time of nomination, that  
7 person currently owes an amount of bona fide arrears greater than the  
8 equivalent of two months of that person's monthly maintenance. Nothing  
9 in this subdivision shall be construed to require or mandate any housing  
10 company to adopt bylaws, rules, policies, or procedures restricting any  
11 person's eligibility to be nominated, elected, or serve on a board of  
12 directors. Nothing contained in this subdivision shall be a basis in  
13 itself to deny such eligibility to any person.

14 6. For any shareholder vote requiring a specific percentage of dwell-  
15 ing units, the term "dwelling units" shall mean all dwelling units for  
16 which shares have been issued, regardless of whether such dwelling units  
17 are occupied or vacant.

18 § 2. The private housing finance law is amended by adding a new  
19 section 35-a to read as follows:

20 § 35-a. Requirements regarding dissolution. Mutual housing companies  
21 considering dissolution and/or reconstitution pursuant to section thir-  
22 ty-five of this article shall be subject to the following requirements:

23 1. Any vote for dissolution of the company, or to authorize a feasi-  
24 bility study, a preliminary offering plan which may be referred to as a  
25 red herring, a final offering plan which may be referred to as a black  
26 book, or a proxy statement, or to send a notice of intent to dissolve to  
27 the commissioner or supervising agency shall require the approval of  
28 eighty percent of all dwelling units owned by the mutual housing compa-  
29 ny.

30 2. No funds from the operating budget of the mutual housing company  
31 shall be used for the preparation or distribution of a feasibility  
32 study, a preliminary offering plan or red herring, a final offering plan  
33 or black book, a proxy statement, or a notice of intent to dissolve, or  
34 to pay for any services related to evaluation of, preparation for, or  
35 execution of dissolution and/or reconstitution pursuant to section thir-  
36 ty-five of this article, including but not limited to legal services.

37 3. No vote under subdivision one of this section, shall occur within  
38 five years following a vote under subdivision one of this section that  
39 failed.

40 § 3. Section 17 of the private housing finance law is amended by  
41 adding two new subdivisions 4 and 5 to read as follows:

42 4. Notwithstanding the provisions of any law, general or special, a  
43 board of directors of a company created pursuant to the provisions of  
44 this article shall:

45 (a) Hold at least six meetings of its members annually. Such meetings  
46 shall be open to the shareholders and residents, except that they may  
47 include executive sessions open only to directors for the sole purpose  
48 of discussing confidential personnel issues, legal advice and counsel  
49 from an attorney to whom the housing company is a client, or confiden-  
50 tial issues affecting individual shareholders or residents, or contract  
51 negotiation.

52 (b) File with the commissioner or the supervising agency, as the case  
53 may be, a record of any vote on a resolution of such board, including  
54 specification of how each director voted. Such record shall be a matter  
55 of public record.

1 (c) Promptly give notice of and make available to all shareholders any  
2 communication to the housing company from the commissioner or the super-  
3 vising agency, as the case may be, or the office of the attorney gener-  
4 al, regarding regulations, changes in regulations, taxation, finances,  
5 refinancing, or, in the event of a proposed dissolution and reincorpora-  
6 tion, the review of any version of an offering plan.

7 (d) Investigate any substantive allegation that a tenant is not occu-  
8 pying his or her dwelling unit as his or her primary residence.

9 5. (a) No housing company shall interfere with the right of a share-  
10 holder or tenant to form, join or participate in the lawful activities  
11 of any group, committee or other organization formed to protect the  
12 rights of shareholders and tenants; nor shall any housing company  
13 harass, punish, penalize, diminish, or withhold any right, benefit or  
14 privilege of a shareholder or tenant under their proprietary lease or  
15 tenancy for exercising such right.

16 (b) Shareholder and/or tenants' groups, committees or other sharehold-  
17 er and/or tenants' organizations shall have the right to meet without  
18 being required to pay a fee in any location on the premises including a  
19 community or social room where use is normally subject to a fee which is  
20 devoted to the common use of all shareholders and/or tenants in a peace-  
21 ful manner, at reasonable hours and without obstructing access to the  
22 premises or facilities. No housing company shall deny such right.

23 (c) The board of directors shall take all necessary and appropriate  
24 actions to ensure that a manager or agent of the housing company  
25 complies with the requirements in this subdivision.

26 § 4. 1. Notwithstanding any provision of law to the contrary, no  
27 company or urban rental company, as such terms are defined in section 12  
28 of the private housing finance law, shall be dissolved pursuant to the  
29 provisions of section 35 of such law or shall undergo semi-privatization  
30 pursuant to 28 RCNY 3-14(i)(15), or shall initiate any actions or  
31 proceedings related to dissolution or semi-privatization, including but  
32 not limited to, conducting a vote to authorize a feasibility study;  
33 submitting a preliminary offering plan to the attorney general for  
34 approval; distributing a preliminary offering plan to shareholders;  
35 distributing a final offering plan or proxy statement to shareholders;  
36 submitting a notice of intent to dissolve to the commissioner of housing  
37 or supervising agency; committing, promising, or expending funds in any  
38 way for the purposes of dissolution or semi-privatization; or holding  
39 any of the required notice meetings during the state disaster emergency  
40 declared pursuant to executive order 202 of 2020 in response to the  
41 outbreak of novel coronavirus, COVID-19.

42 2. As used in this act, the term "semi-privatization" means dissolving  
43 as a mutual housing company and transferring the property to a housing  
44 development fund company organized pursuant to article XI of the private  
45 housing finance law.

46 § 5. This act shall take effect immediately; provided, however,  
47 sections one, two and three of this act shall take effect on the nineti-  
48 eth day after it shall have become a law.