

EXECUTIVE DIRECTOR'S MESSAGE

By Gregory J. Carlson

The saying goes "Things change, but they remain the same." So it goes in Washington. There's a lot of shuffling and cabinet shakeups in the White House but the administration stays the same. In addition, there's a lot of talk in Albany about changes and budget process modifications, but the same three people will continue to run Albany. Those in the City Council who cannot run again because of term limits and those who seek higher power bases are holding hearings on bills that are detrimental to the housing industry. Be assured, the Federation has and will advocate against bills having an adverse affect on our membership.

Another saying is "three times is the charm." After twice being rejected, The National Cooperative Business Association (NCBA) has finally selected Charles and Eva Rappaport to be inducted into the Cooperative Hall of Fame. This is the cooperative community's most prestigious honor. Those of us who have been around for some time know that Charlie and Eva were "the Federation" for many, many years. The Federation was their heart and soul and they worked for the organization right up to their passing – Charlie in 1997 and Eva three years later. In addition to their work with the Federation they spent much of their time working for the National Association of Housing Cooperatives (NAHC). Both were dedicated to the education and training of board members and cooperators. They were outspoken advocates for the housing cooperative community. It is a great honor for the Federation and its membership to have the Rappaport's inducted into the Cooperative Hall of Fame.

The ceremony will take place in Washington, D.C. on April 20, 2005 at the National Press Club. The Federation will be contacting our members for a show of support and appreciation through sponsorship donations, journal ads and banquet tickets. The more support we demonstrate, the more we prove to the nominating committee they made the right choice.

The funds raised for this event go to the Cooperative Development Foundation, a great organization for the betterment of the cooperative community and a group the Federation endorses. This may be the last time we can honor the Rappaports, so please support their last hurrah! The Federation appreciates anything you can do for this event.

On Saturday, June 11th 2005, the Federation will be holding its next Annual Educational Conference. The Federation Board is reviewing a list of seminar topics that will include financial, legal and legislative issues. In addition, some topics will focus on the day-to-day operations, functions and problems boards must deal with. With the success of the last conference, the Federation will bring to its membership more educational opportunities and topical discussion between peers. Please watch for details on this important up coming event.

Happy and Healthy Holidays to all.

PRESIDENTS MESSAGE

By Albert F. Pennisi

It is amazing to me that the year is nearly over and I am wishing the Federation's members a happy holiday season and a healthy new year. 2004 was an extremely good year for the Federation of New York Housing Cooperatives and Condominiums: Our newly formatted Annual Conference in June was a tremendous success. The eleven seminars were well attended and informative, the panelists all experts in their respective fields. The LaGuardia Marriott seems to be convenient for all therefore we plan to hold the 2005 conference there as well. Please mark your calendars for Saturday June 11, 2005 for another important educational forum.

In September we offered a special seminar, a leadership training class taught by two nationally recognized experts in the field of cooperative living. This too was well received and we hope to repeat that presentation next year.

We were happy to learn that Charles and Eva Rappaport, the co-founders of the Federation, will be inducted into the Cooperative Hall of Fame next year (see complete article on page 4). Charlie and Eva were instrumental in initiating many of the benefits cooperatives enjoy today. I hope you will sponsor the event, either with your presence at the banquet and/or a supportive ad in the journal, to demonstrate New York's appreciation of these pioneers of cooperative housing.

I am pleased to announce that I was elected to the office of president of the National Association of Housing Cooperatives (NAHC). This is an influential organization, both in Washington DC and throughout the country. My tenure will in no way detract from my duties as Federation president, rather I expect it to enhance my ability to inform Federation members as to the latest legislation and news affecting the cooperative community.

In conclusion, I will end as I began, with sincere good wishes for a happy holiday and healthy New Year.

FEDERATION PRESENTS LEADERSHIP TRAINING SEMINAR

On Sunday, September 19, 2004 the Federation of New York Housing Cooperatives and Condominiums hosted a special, one-day intensive leadership training and strategic planning session for cooperative and condominium board members at the Mutual Redevelopment Houses (Penn Station South). Linda Brockway and Marlene Dau, two nationally recognized experts in the field of cooperative housing, presented a concentrated version of their acclaimed two-day workshop for board members.

The morning session "Advanced Leadership Training" focused on evaluating a person's leadership capabilities as it pertains to their role as a co-op/condo board member. This session concentrated on crucial leadership qualities that are needed to be an effective and responsible board member, how to evaluate the various board functions and how to determine the best people for the right positions.

The second half of the program targeted strategic planning, its correlation to the structure and organization of an effective and efficiently operating co-op board. The discussion centered on the basic functions of leadership and the strategy of a leader, decision-making strategies and how to work together to develop a strategic plan.

Nearly 50 board members from all over the city attended this important seminar. Included in the nominal fee were course materials and lunch. Everyone was thrilled with the information. According to Gloria Sampson, board president of 145 East 15 Street Tenants Corp, "This was very informative, especially the interactive work. It helped me modify my personality traits in order to work more effectively with my fellow board members."

The Federation's mission is to present educational and informative programs for its members, the cooperative and condominium board members of New York City. This program provided an exceptional opportunity to gain an understanding of the responsibilities associated with being part of a cooperative team. Due to the overwhelmingly positive response, the Federation hopes to get Marlene and Linda back for a repeat performance. At that time we encourage every board to send at least one or two members for this essential learning experience.

RAPPAPORTS TO BE INDUCTED INTO HALL OF FAME

Charles and Eva Rappaport, co-founders of the Federation of New York Housing Cooperatives and Condominiums, will be inducted into the Cooperative Hall of Fame on April 20, 2005 at the Washington National Press Club.

For more than 40 years, Charles and Eva Rappaport were influential leaders of the New York City and national housing cooperative community. Charles Rappaport served as president of the Federation of 213s, the precursor to the Federation, until his death in August 1997. At that time his wife Eva, stepped up from her position as executive director to president until her death three years later.

With a majority of their focus on New York City where one third of all home ownership is cooperative, Charlie and Eva directed their attention to the national level where they led a successful campaign to separate 213 premiums from all other Federal Housing Authority insurance funds and created the Cooperative Management Housing Insurance Fund. It is a testament to their effort that, more than 40 years later, the fund is still returning patronage dividends to Section 213 cooperative housing corporations.

“It has been nearly 20 years since multi-family housing sector inductees have been acknowledged by the Hall of Fame,” states Mr. Carlson. “Recognition in this field has been long overdue and the NCBA couldn’t have picked two more deserving candidates to pay tribute to than Charlie and Eva Rappaport.”

The Cooperative Development Foundation administers the Cooperative Hall of Fame that was established in 1974 and is housed in the offices of the National Cooperative Business Association in Washington. Nominations are received annually and reviewed by two committees, each composed of current leaders from the various sectors of the U.S. cooperative movement.

Sponsorship opportunities for the April 20 event are available through the Cooperative Development Fund. Contact Liz Bailey at 202-383-5459 or ebailey@cdf.coop.

SUBMETERING

BY ROBERT A. FRIESS,

American Metering & Planning Services, Inc. (AMPS)

Electrical submetering allows building owners, cooperatives and condominiums to control spiraling electric costs and allow owners and tenants to have direct control as to how much or how little they pay for electricity.

Submetering is the process of allocating electrical energy costs on an individual apartment basis. Usually this is performed by metering the energy consumed per apartment and billing the individual tenant or owner for the energy consumed. In this manner the individual owner/tenant is financially responsible for the electrical energy consumed in his/her apartment. Most older apartment complexes in New York City were built as master metered buildings with the building paying the energy costs for all residents in the building.

Submetering involves the installation of either an electro-mechanical or solid state meter, which monitors the energy consumed in each apartment. The old style electro-mechanical meters can either be read manually or equipped with an "encoder" so that the meter can be read remotely by telephone. Present state-of-the-art, solid state meters utilize power line carrier technology and are read remotely using telephone communications. Depending on how a building's electrical distribution system has been installed, the individual apartment meter can be installed in the building basement, the meter room if provided, or the individual apartment. Installation of the meter in an apartment can usually be accomplished with little inconvenience to the tenant and looks just like the present circuit breaker/fuse box in the apartment.

WHY SUBMETER?

Why should a building should install submetering? Submetering accomplishes two main objectives:

The first key point is that with submetering each tenant/owner pays only for the energy they consume, no more, no less. In a traditional master metered building, the total energy costs for the building are allocated across the number of apartments in the building. This allocation can be based on the number of shares, apartment size, apartment location in the building or some other criteria established by the board or owners of the building. Typically, under this allocation system, larger apartments pay a higher share of the electric costs than smaller apartments. Numerous pilot submetering studies have shown that this method of allocation is not always fair or correct.

A recent study in a Manhattan co-op using a sample of 30 apartments where none of the apartment occupants were made aware their electric usage was being monitored had some very interesting results. The building's management identified apartments they considered low users of energy, average users of energy and a number of energy consumption abusers.

Three of seven 5.5 room apartments used less energy than the smaller apartments in the building and there were a number of 2.5 and 3 room apartments that used as much energy as some larger apartments.

When averaging by apartment size, electrical usage distribution increases with the size of the apartment. Clearly the data stated above indicates that when you consider apartment size in the averaging method, it may be unfair. A number of residents may end up paying for energy they do not consume.

A study of submetered buildings indicates that when a building is submetered approximately one third of the apartments pay less for energy, one third of the apartments pay the same for energy and one third of the apartments pay more for energy.

ENERGY CONSERVATION

The second key point of submetering is that it achieves conservation of electricity thereby reducing the costs for the tenant or owner of the apartment. The New York State Energy Research and Development Authority (NYSERDA) has performed a detailed study of residential submetering. This report states the following:

Submetering saves energy - An analysis of submetered buildings conclusively illustrates that annual savings of 10-26% of total apartment electric consumption was achieved in the first year of submetering.

Submetering energy savings persist over time - Submetering savings have been proven to be maintainable over long periods of time as demonstrated in a number of studies. Some likely reasons are (a) that conservation is reinforced each month by the resident's receipt of an electric bill and (b) residents will invest in efficiency (e.g. more efficient refrigerators and lighting) because they will reap the benefits directly.

The above conclusions clearly demonstrate that people will conserve energy and pay less if they are billed directly and they can control their usage. If they do not conserve energy or abuse the use of energy, they will pay more. The data clearly shows that a building and its owners can save money, and this savings can be maintained over an extended period of time.

SAVE MONEY

Submetering can save a building and its owners or tenants money. The savings and the costs to achieve these savings are building specific issues. These issues should be discussed with a professional who can determine if submetering is a viable alternative for your building.

At the present time, NYSERDA is offering a rebate program for buildings that submeter. The rebate can vary from 50 to 100 percent of the total system cost, including installation, depending on the system cost and if the building is considered low-income or

not. These rebates significantly reduce the cost for submetering a building. Additionally, the costs not funded by NYSERDA qualify for J51 funding, further reducing the cost to submeter a building.

Buildings that have individual utility meters for each apartment can also save money. In buildings with individual meters, the building will purchase the energy from the utility in bulk, rather than each individual apartment buying energy. When submetering is installed in a directly metered building, the utility no longer bills each unit. It bills the whole property at the established bulk rate, which can be 18 to 25 percent less than the individual residential rate. Besides saving on energy costs, buildings that have 80/20 problems can use the funds collected for electrical usage to offset potential revenue problems.

Considering all the advantages, every cooperative and condominium building should be investigating the submetering option. It means less electrical consumption, which is good for everyone and the environment.

Robert A. Friess is a professional engineer and president of American Metering & Planning Services, Inc. (AMPS). Mr. Friess can be contacted at 527 Third Avenue, suite 151, New York 10016, 212-725-8400.

THE ABC'S OF REFINANCING A COOPERATIVE'S UNDERLYING MORTGAGE By David J. Lipson, RAM - Director, Mortgage Division, Century Management

A co-op board refinancing its property's underlying mortgage is responsible for one of the most important business transactions a board can make. The results affect not only the monthly maintenance, but also the market value of each shareholder's residence. Therefore, it is important that boards surround themselves with ethical professionals who possess savvy negotiating skills, pristine reputations and successful track records.

Early on in the process it is vital that the board consult with their entire team of advisors, including their managing agent, attorney, accountant and engineer.

When beginning the refinance process the board should be aware of all aspects of the cooperative including both its physical and financial condition. Being able to present the co-op's profile in detail will help establish a positive impression to lending institutions that are approached. If there are existing issues or problems with the property, it is best to be upfront about them; this will make them easier to resolve. All lenders, regardless of size, appreciate full disclosure on any application submitted. Surprises could turn off a lender's interest.

Prior to filing an application, it is important to prepare a comprehensive evaluation of the co-op's long and short-term physical and financial needs. This helps insure a proper strategy in selecting the best loan product to match your property's requirements. Your managing agent and/or engineer should be able to assist you and your mortgage professional with this plan.

As with any service company, the board should interview and check references on all mortgage brokers they are considering. A final caveat before engaging the services of a mortgage professional is to make certain the broker does not have a conflict of interest with the bank and therefore keeps the interests of the co-op first. Brokers who are owned by or strongly affiliated with one lender may be nearsighted and more focused on the loan products provided by the bank they represent rather than what may be in the best interests of the co-op. Another important rule is to never hire more than one broker. The best offer is created by competition among lenders, not brokers. Lenders will become confused when receiving multiple packages on the same transaction from two competing brokers.

Selecting the right broker can offer your co-operative many benefits:

A good broker should have the ability to access a variety of lenders including: Savings Banks

Commercial Banks

Government Funds (Fannie & Freddie Products)

Insurance / Pension Funds

Conduits

Private Lenders

Being able to explain the differences and benefits of each is crucial.

A broker who is active in the market knowing which products are available and right for your cooperative while knowing which lenders are the most competitive for the type of loan you are seeking is a winning combination.

Matching the right lender and product with the right co-op is necessary. Understanding if the lender has any special requirements and if the cooperative can meet those requirements will help avoid any potential pitfalls. (i.e. sponsor pledge, environmental compliance)

A good broker who has buying power is able to obtain wholesale pricing and can deliver significant savings. (In most cases when using a broker vs. going direct the savings provided will more than justify the fee being charged for the broker's services).

A good broker who is a strong and effective advocate on behalf of the cooperative's application before the lender's loan approval committee can expedite the process. A good reputation and relationship with the lender is invaluable. These qualities along with the ability to anticipate and navigate through any bumps in the road during the process are important benefits that a broker can bring to the table.

Knowledge, experience and relationships place brokers in a position where they are able to receive concessions which otherwise would not be available. (i.e. reduction and/or removal of the pre-payment premium on the existing loan; commitment fee waived; reduction of the good faith deposit).

Knowing exactly what information lenders require and how to collect whatever the board does not have or cannot locate, and then package it for the most favorable presentation to the lenders is an important consideration in choosing one broker over another.

A good broker should act as an advisor to the board educating them on the available loan products. Evaluating the terms of all offers presented and highlighting the often overlooked "small print" details and explaining the pros and cons of each lender's offer are important information the broker should give the board. (i.e. pricing calculated on a 30/360 vs. actual # days [there is an approximate 8 basis point difference] lock-in procedure and timing implications).

Negotiate the best “terms” for the new loan. (i.e. the loan with the lowest interest rate is not always the best deal; prepayment penalty terms count; ability to obtain a line of credit simultaneous to closing the new first mortgage, whereby the co-op would save a tremendous amount on future closing costs is a factor).

Deliver what they promise.

Mr. Lipson can be contacted directly at (212) 560-6466

LEAD PAINT PRIMER

BY GEOFFREY MAZEL, HANKIN HANDWERKER MAZEL

Cooperative and condominium board members and real estate professionals should be well aware that New York City Local Law 1 of 2004 (commonly known as the “Lead Paint Law”) has been in effect since August 2004. However, many board members and professionals are not aware that certain provisions of this law have had a direct impact on cooperatives and condominiums. The purpose of this article is to highlight some of the measures boards of directors should be taking to comply with the Lead Paint Law. However, before any measures are taken, board members should consult with their legal counsel.

By way of background Local Law 1 of 2004 has replaced Local Law 38, a law that has been in place since 1999. This law imposes a list of responsibilities on property owners in an attempt to mitigate lead paint hazards for children under 7 in the City of New York. This law recognizes certain types of dangerous conditions such as lead dust, friction surfaces, chewable surfaces, deteriorated sub-surfaces and peeling lead paint. The Lead Paint Law is quite complicated and technical, and it is strongly suggested to review it carefully.

The new Lead Paint Law is a mixed blessing for cooperatives and condominiums. On the positive side, this law does not apply to multiple dwelling units where title is held by the cooperative or the building is a condominium and in cases where a particular unit is occupied by the shareholder of record or the fee owner of a condominium, i.e. the law does not apply to owner occupied units.

However, if a cooperative or condominium unit is sublet to a third party, the occupant of the unit is protected under the new law. A cooperative or condominium board can shift the responsibility of complying with the law to the unit owner by agreement. The law will recognize and validate these agreements. Therefore, it is strongly suggested that your Board have the unit owner sign a well-drawn hold harmless agreement before the sublet takes possession.

Despite the exception of owner occupied units in cooperatives and condominiums, the new law encompasses common areas if a child under 7 lives in the building. Accordingly, this exception does not apply to the common areas of cooperatives and condominiums. Therefore, if the board is performing any construction or repair work that disturbs more than two or less than 100 square feet of space, the work must follow the "safe work practices" as defined by Local Law 1. If any repair work involves more than 100 sq ft of space they must use an EPA-certified construction firm. These procedures must be followed if the building was built prior to 1960, where all paint is presumed to include lead, and for buildings built post-1960 and pre-1978, unless the building has been certified to be lead paint free.

Safe work practices include the testing of resulting dust in a work area if a child under 7 lives on the premises. This test must be performed by an independent third party and the results must be provided to the occupant. In addition, workers in this area must be trained

in lead safe work practices. "All of our buildings have already sent the building superintendents to get lead safe work training and certification" says Michael Wolfe, president of Midboro Management, Inc. Mr. Wolfe further states that "compliance with this law is essential, since any lawsuit stemming from lead paint poisoning could have a significant adverse effect on the buildings finances and insurance premiums."

In addition, the new Lead Paint Law requires the owners of multiple dwellings built before 1978 to notify occupants of the law. Owners must send a notice to each occupant requesting whether a child under 7 resides in the unit. These notices must be sent by January 15, 2005. If a child does reside in the unit, the owner must investigate for the presence of lead paint hazards. In the case of cooperatives and condominiums, the board must investigate sublet units and common areas near units where a child under 7 lives for lead paint hazards.

This law is extremely technical and complicated. It is impossible to cover all the nuances of this statute in a short article. This article is designed to give you the tools to ask the right questions to protect your building. It is essential that boards of directors review this law with their legal counsel to ensure that everything possible is being done to comply with its provisions.

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PAPERLESS OFFICE BY BARRY KORMAN

Traditional office versus virtual office! Paperless – what does it mean? Does it mean that you throw out your paper files and stop buying paper? Absolutely not!! It means that you store your documents on your computer. Would any management firm entertain the idea of setting up their books and financial records the traditional way and not put these records on a computer? Presently financial records are stored on the computer and when a report or ledger sheet is needed it's printed on paper, emailed or faxed. Most likely you have a back up system to insure against loss of any data. Most firms are comfortable using this system.

Now is the time to move the rest of your records to a virtual system. In order to move ahead in the current and future business environments managing agents must be willing and able to respond immediately to requests for data and documents. Competition using a virtual system will leave a traditional firm at a distinct disadvantage.

Traditional firms grow by adding more people (overhead). Virtual firms grow by adding technology. The equation is time saved + space saved = money saved. Thanks to a decision by the Securities and Exchange Commission in 2001 stating financial records must be kept seven years with digital archiving allowed, it is now possible.

The virtual system cuts down on expensive filing, cabinet space and the time associated with manual filing and retrieval. The labor costs involved in running a traditional filing system is high. It takes an average of 15 minutes for a document to be found, delivered and then re-filed to its original place. It can take days to find a misfiled document or even worse, it can be lost and irretrievable in the filing cabinet. Digital documents are indexed and allow you to find a document by an electronic search.

There are five different ways to get your data and/or documents into your computer. 1) Generate a Word or Excel document. 2) Receive email. 3) Receive a fax. 4) Transfer from a CD or disk. 5) Scan documents into the computer.

Once you have captured the data/document you will want to store this in a virtual filing cabinet. The cabinet will contain folders and folders within folders. An example of what will be stored in a folder as multi-page documents would be an alteration agreement, the shareholder's handbook, the proprietary lease, etc. When these documents are needed you can email, fax or print. You don't need to pull the original and make copies and then re-file the original.

When I'm asked to send a refinance package, 95% of the time it goes to the shareholder the same or next day. The same is true for most all requested documents. And it's all done without an assistant

The system is extremely user friendly. For the most part it's drag and drop. You will be able to annotate, delete or make any changes to the document. The right use of electronic

applications and networks will make organizations more paper efficient. The goal is to move from a paper-based, brick and mortar business, to an integrated paperless office.

For more information on how to set up a Virtual Office contact Barry Korman, KMI, inc. 646-261-3995; email bkorman@broadviewnet.net.