

The New York Times
Real Estate

The New Kids on the Board



By LISA KEYS

FIRST, there's the search for the perfect apartment. Then comes the bidding, the contract signing, the financing, the closing and — finally — the big move. So actually living in that co-op or condo should be the easy part, right?

Not exactly. As many first-time buyers are learning, sometimes it's the day-to-day reality of apartment ownership that's the hardest to master. To start with, who's going to run the building? For many new owners, the answer comes with a glance in the mirror.

Partly because of the new construction that has gone up in New York, there has been a great increase in novice members of building boards.

Joe Testone, 40, moved into a co-op at 284 Fifth Avenue two years ago. Six months later, he was elected to the board. "This is my first home,

my first co-op," said Mr. Testone, a broker at Bellmarc Realty.

At Mr. Testone's 37-unit building — which went co-op in 1985, though the sponsor of the conversion began a concerted effort to sell units only in 2005 — the influx of new owners meant the board was built anew. "There's not much history and continuity," he said. "We're establishing brand-new rules and policies for the building."

The last year has been a flurry of activity for Mr. Testone and his fellow board members Gregory Katz, 26, and Scott Fletcher, 37, all new to the building, which is at 30th Street. The other two seats are held by Lisa Gatsby and Ramin Shalom, representatives of the sponsor, who have "taken a back seat" in deliberations, Mr. Testone said.

The board has developed rules for subletting,

Continued on Page 12



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Continued From Page 1

approved large-scale renovation plans and hired a new managing agent.

Some new board members are motivated by curiosity, others by the desire to safeguard their investments. But whatever the motivation, more and more buildings are being run by board members with little, if any, experience. "Being a real estate agent didn't prepare me for what I was going to be confronted with, being on the board," Mr. Testone said. "I did not have a true sense of the commitment involved."

In an e-mail message, Mr. Katz said, "We really had to learn everything from scratch, on the job, and without the benefit of even minimal information or assistance from our former managing agent." He is a first-time homeowner and a paralegal at Children's Rights, a nonprofit agency that works to reform foster care.

During the new board's first year, a new shareholder proposed a complex renovation to the penthouse. What unfolded was a long, expensive and complicated back-and-forth process during which the board hired a lawyer and an architect to review the proposed renovations. "It was really, really time-consuming and a lot of work," Mr. Testone said. "But it was totally enlightening. I now know what goes into an alteration agreement and what you should look for when someone has renovation plans."

Mr. Testone said he learned the importance of getting professionals involved right away, especially in instances like this one, when the proposed construction posed a potential threat to the roof's integrity.

Inexperienced boards can also present a challenge for the managing agents they hire. Stephen Elbaz, the president of Esquire Management in Brooklyn, said that about 8 of the 50 buildings his company manages were built in the last few years.

One is a new condominium on East Broadway in Manhattan. At the board's first meeting, Mr. Elbaz said, he spoke about selecting an accountant and a lawyer, but his suggestions fell on deaf ears. "They didn't want to talk about those things," he said. "They wanted to talk about uniforms for the doorman, things that were more mundane and less of a priority at the time. Like most people, they tend to focus on things they understand."

At the Hudson, a new condo at 225 West 60th Street, a fledgling board was formed last month. Apartment owners elected four members, and the fifth seat belongs to the sponsor (in many cases the developer of the building).

"It's just a learning experience, figuring out what we should be responsible for, what we shouldn't," said Barry McConnell, 34, who closed on his unit on Feb. 27 and was chosen as the board's president. An information technology consultant at SENA Systems in Edison, N.J., Mr. McConnell had lived in a condo nearby but had never served on the board.

"I thought this was a good opportunity to get in on the ground floor and to help shape what's happening," he said. "I remember asking my broker if the board had been formed yet. He said they were waiting for more people to close. I thought, 'Maybe I'll try to get on the board.' I didn't realistically think that would occur."

Mary Ann Rothman, the executive director at the Council of New York Cooperatives

and Condominiums, a nonprofit education and advocacy organization, said, "Without a doubt, it's a whole new world."

"This is truly reminiscent of what happened in the early 1980s, when noneviction conversions became possible," she said. "I'm seeing an enormous amount of people new to the co-op and condo world."

New board members, Ms. Rothman said, have to learn to work together and build consensus. "They're new to the building, and they're new to one another," she said. "It's a community to learn about, it's the responsibilities of the physical plant, and it's all the people issues."

Organizations like the Council of New York Cooperatives and Condominiums and the Federation of New York Housing Cooperatives and Condominiums can provide boards with educational and training resources through seminars and conferences.



(Just recently, for example, the federation held a seminar on how to set up an annual meeting.)

The new-board phenomenon can be seen both in new condos and in established buildings that have had high turnover.

"This is a product of the real estate boom that we've had," said Gregory Carlson, the executive director of the federation, a nonprofit group in Forest Hills, Queens. "All of a sudden we had new owners, new people, fresh faces. It's only natural that these fresh faces want to take direction of where the building is going and how it's being run."

He said ignoring the big picture was among a new board's most common mistakes. As he put it: "There's one issue that makes a person want to run for the board, and that's the issue he concentrates on. I hear all the time, 'Oh, I don't care about that.' But there are many facets to running a cooperative, and their fiduciary job is to concentrate on all aspects of the co-op."

Justin Balciunas, 32, moved into his co-op at 155 East 73rd Street in August 2005 and was elected board president the next spring. "Obviously, your home is a big investment," said Mr. Balciunas, an investment banker. "To the extent that you can get involved, help shape the direction of the building — your investment — that's a good thing."

At Mr. Balciunas's prewar co-op, new members were elected to three vacant seats on the board. "We had a bit of changing of the guard," he said.

The new board members have taken steps

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Photographs by Uli Seif for The New York Times



COMMUNITY SERVICE

Board members, clockwise from above, are Eddie González-Novoa, 37; Farrington Yates, 45; and Lauren Sharfman, 40. Mary Ann Rothman is the executive director of the Council of New York Co-operatives and Condominiums.

to be more open. "What you hear about Manhattan boards, in general, is that they tend to operate behind closed doors," Mr. Balciunas said. "We wanted to emphasize the transparency of what's going on. We wanted to increase communication between our resident shareholders and the board."

The board has started a quarterly newsletter and has set up an e-mail address to encourage feedback. In the last year, the board has received suggestions for new initiatives (such as expanding the doorman's hours), complaints about noise, and an occasional thank-you.

Newly formed boards often possess a determination to get things done. At 129 West 20th Street, a 14-unit loft condominium converted in 1999, the board is made up mostly of residents who have moved in over the last few years.

"We're all sort of peers — we're almost all the same age," said Lauren Sharfman, 40, who moved to the building two years ago and joined the board last winter. "I think we're all more aggressive about building improvement than we would be if we were more settled. You get very complacent if you're there for the long haul."

Ms. Sharfman, the chief executive of Ippolita, a jewelry company, had owned another Manhattan condo but had had no prior board experience.

Farrington Yates, 45, a lawyer, has lived in the building for three years and has served on the board for two and a half. "There was a bit of a transition period," he

said. "A number of the original owners had a different attitude coming in." He said that owners who bought in the building when prices were low were often reluctant to spend money to make changes, "as opposed to the new owners, who are very interested in spending money to make money."

According to Michael Berenson, president of Akam Associates, a management company, new construction raises another set of issues. "Over the past five years," he said, "what's happened is that these condos have gone up, they sell out in less than six months, and a new board is off and running, and they don't know what to do. You have to start from scratch."

"When a new board comes on, the biggest priority is to do an audit of the property," Mr. Berenson said. "They need to assess the mechanical and physical completeness of the building to make sure it complies with the offering plan. Then the new board needs to work with the building's management to put day-to-day procedures in place."

Michael Wolfe, the president of Midboro Management, says a handful of the 70 buildings his company oversees are less than a year old. "There's a lot of frustration," Mr. Wolfe said. "With any new home, things are buggy. There's the unbelievable stress of this huge investment, they're learning about new neighbors, and they realize, 'What did I get myself into?'"

As a result, steering boards in the right direction is an increasing part of a managing agent's job. "Boards that have never been

through this before, they're reinventing the wheel," Mr. Berenson said. "They may not understand what the full scope of their power is. Co-op secretaries may not know their minutes responsibilities; treasurers may not know how to read financial documents. They have to rely heavily on the guidance of their attorney and management company."

Some buyers who end up being board members are people who never even dreamed they would be homeowners.

Eddie González-Novoa, a 37-year-old first-time buyer, thought he couldn't afford to buy in Prospect Heights, Brooklyn. "I was really intimidated by the whole co-op board process," he said. "I had all these misconceptions about owning property."

But last year, after moving into a co-op at 786 Washington Avenue three years ago, he became the building's treasurer. "I knew nothing about financial management," said Mr. González-Novoa, who works in the continuing education program at the Bank Street College of Education. Like many other new boards, Mr. González-Novoa said, his relies on the expertise of its management company, Narrows Management of Bay Ridge.

His co-op is small — 16 apartments — and seven of them have changed hands in the last two years. Most of the residents are now under 40.

"I felt a personal commitment to the co-op as well as a fiscal one," Mr. González-Novoa said. "When I first moved in, it was about finding out a way to have financial stability for myself. Joining the board reoriented me toward working with other board members to establish some stability in the building."

Then again, some neophytes revel in the newness of it all. "We're starting with a blank slate," said Christopher Lee, 40, a first-time board member at the Hudson on West 60th Street. "The challenging part is setting up reasonable guidelines that will work in the long term, not just today. But it's an opportunity to not be tied down to things that don't work."

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Visit our website at www.nyarm.org or call 1-212-216-0654 for membership information



Stephen Elbaz, nyarm

Deadlines & Registrations

April marks the beginning of the annual Division of Housing and Community Renewal [DHCR] Rent Registration season. Owners and/or Managing Agents of all Rent Stabilized housing accommodations [including SRO's and Coop/Condos] must register the units with DHCR. Some important facts are as follows:

- The building is registered on DHCR #RR 2-S [green] form. Owners should file only one [1] form per building.
- Each dwelling unit is registered on DHCR #RR 1-A [white] form. Owners fill out one [1] form for each apartment, hotel room, etc.
- The deadline for filing with DHCR is July 31, 2003. I always urge managers to complete this task early, especially if you value the summer weather as much as I do.
- All information provided is to be as of April 1, 2003. This is a point that many owners miss. Fill out all forms as of April 1, 2003. This includes tenants that you know have moved in or out subsequent to April 1, 2003. DHCR wants the status of your buildings as of April 1, 2003, period.

Forms and instructions are available from any DHCR Borough or District rent office [see list attached] during business hours. Owners/managers of fifty [50] or fewer units may have forms mailed by calling [718] 739-6400.

Managers should have last year's registrations and a rent roll [as of April 1, 2003], prior to starting the project. If you do not have last year's records you can get a printout by requesting it in person at any of the Borough or District Rent offices.

DHCR Rent Registration Unit
38-40 State Street
Albany, NY 12207

This information only skims the surface of all of the requirements in filling out these forms. Even veteran Managers should carefully read the instructions prior to commencing this difficult task.

Stephen Elbaz-NYARM is the Secretary of the NYARM Board of Directors and is President of Esquire Management Corporation - a full service management company in New York and New Jersey. Readers are encouraged to contact Stephen at 718-623-2300 or fax 718-623-2322 with real estate management questions, concerns, and helpful hints. Questions will be thoroughly researched and answered in this column.



Stephen Elbaz, nyarm

Wrapping up for a New Year

I cannot believe that another year is about ready to wrap up. As we prepare for 2003, now is the time to begin our closing work for 2002. Some of the projects are as follows:

1: 1098 forms should be delivered to Shareholders by January 31, 2003. Managers should begin the task of verifying that your database of Social Security Numbers, Names, Addresses, etc., is current. Don't forget to do the prorations for all units sold during the year. Most managers use a Lotus or Excel spreadsheet for the pro-rations, & use a 360 day year [12 months of 30 days each] to ease the calculations.

2: Contact your owners and/or boards to

determine what holiday bonuses (if any) will be given to building employees. Be sure to get it in writing and signed off for your protection.

3: Many companies make a small holiday party for building staff. Many managers have a party during an extended lunchtime (12:00 - 2:00) and serve sandwiches, sodas, snacks etc. They advise against serving alcohol for obvious reasons. This is also a great time to hand out employee awards and plaques. Most Office Supply stores sell fancy parchment award paper. This paper enables a computer literate manager to easily generate high quality frameable certificates. Add a glass frame and you have a great award for under \$10.00. This is a great way to build loyalty & moral within your organization. A free raffle for a prize is also successful at a holiday party.

4: This is an ideal time to take a hard

look at your building schedule, to insure that your staff is operating efficiently. Many managers see marked improvements in building cleanliness and efficiency by making small adjustments to operating schedules.

5: Window guard notices/Lead Paint Fire Safety notices must be delivered to all tenants between January 1 and January 16, 2003. Notices may be sent with rent bills, hand delivered or sent first class mail (not certified mail). Notices must be in English and Spanish for all tenants regardless of which language(s) they speak. Photocopies of the approved forms are permitted. Managers should insert their name, address and phone number (phone is optional, but recommended) on both the English and Spanish side of the form then photocopy the forms for tenants. You can contact the Department of Health at 212-334-7771.

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Manager's Corner

By Stephen
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Conservative Investing Is Your Best Bet

As of the writing of this article we have had (and survived) two large snowstorms with predictions for more. Managers should insure they have a plentiful supply of snow removal products and equipment. Does anyone remember the twelve inches of snow we got in late March several years ago?

FIDUCIARY RESPONSIBILITY

I was fortunate enough to be selected by New York University to instruct a class on Financial Management for the NYARM certification program during the fall semester, 2000. I would like to share a discussion the class had regarding a building's escrow account.

The discussion began with my instruction that escrow accounts of up to \$50,000 be deposited in a FDIC insured money market account.

Larger amounts should be partially invested in United States Treasury bills with staggered expiration dates and the balance in a FDIC

A heated debate began amongst the students who felt that a building should explore a conservative portfolio of stocks and/or mutual funds. They cited returns of 20% and better (as opposed to the 5-6% the T-bills pay).

When confronted with even a remote loss of principal, the class agreed to leave the risk taking for personal weekends in Atlantic City. The lesson of the class is that other people's money must be invested in the safest, most liquid insured vehicles possible. A manager never wants to be in a position of explaining why the great stock pick with 25% returns suddenly hit the tank.

WINDOW GUARD NOTICES

Beginning March 1, 2001 managers must notify the Department of Health, in writing, of all residential tenants that failed to return the annual window guard

notice that you delivered to them in January. As I always recommend the best way to communicate with an agency on a paperwork matter is either by certified mail - return receipt requested (mailed from the post office with a bull's eye stamp) or when time is of the essence, hand delivered with a duplicate set of documents that should be time/date stamped or signed as received.

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