



# BRIGHTON TOWERS NEWSLETTER

APRIL 15, 2020

## Dear Shareholders

On December 12, 2019, our co-op held its annual election and your voices for change were heard! The vote results were finally certified on January 7, 2020 and on January 9<sup>th</sup>, Rich Zeitz, Julian Friedkiss, Craig Hauser and Paul Pozin became the executive officers of our Board of Directors. Thank you all for your faith in us and your overwhelming support!

One of our priorities during the campaign was a pledge to **stop the financial bleeding** and begin the process of putting our co-op on a sustainable fiscal path. This newsletter will let you know what we have discovered regarding our financial situation and what we have been working on over the past several months.

Our first action was to **review and assess spending on all ongoing projects**. We requested copies of the contracts for required Local Law 11 repairs (exterior façade/brick work), the sauna/steam room, the community room, electrical work, the air conditioning sleeves, and other previously ongoing projects. Much to our amazement, we were told by the previous Board President and Treasurer that **there were no contracts signed for many of the major capital projects!** In some cases, the previous Board received proposals, but thereafter simply approved and paid the vendor invoices without contracts. We strongly believe these policies must change.

Going forward, every major capital project will require a written contract documenting each contractor's responsibilities, including the scope of the work being performed, proof of insurance coverage and the estimated completion date. **Some of the construction contracts include penalties for**

**cost overruns as well as penalties for not completing the work in the time as stated in the contract.** Furthermore, the previous leadership failed to address these contracts in the Board minutes or demonstrate that they had obtained competitive bids for capital projects.

### CAPITAL PROJECTS

Based on our review of TKR financial records, it appears that approximately \$9,500,000 was spent on capital projects and building improvements from 2016 to 2019. In 2016, the previous Board determined that they would have to renovate our balconies, replace electrical infrastructure, and fix the roof in Building 50. It was at this time that the previous leadership took out a second mortgage in the amount of \$6,000,000 to finance this work (of which only \$5,343,760 was received after closing fees). Given that this money was obtained specifically to fund important balcony work, it is unclear why work was started on the sauna/steam room, community room, interior lighting, ping-pong room, laundry room relocation, and tile flooring in the common hallway, as well as work on the walls between the buildings. Many of you may ask "What ping-pong room"? Apparently, only four or five shareholders had access to this room, and HVAC and electrical work still has to be completed before we can make it available to our residents.

**The result of beginning these projects and not completing most of them, is that the \$5,343,760 originally budgeted for the balconies is no longer available, nor do we have the funds to pay for the necessary work that still has to be done to finish these projects.** Some of these funds were used for

new boilers and the emergency brick repairs but, again, there is very limited documentation, which makes it challenging to establish the value for the monies spent.

We are in the process of receiving analysis and competitive bids from new independent structural engineers and architects to assess if, in fact, all the terraces need to be replaced or renovated and to what extent repairs are needed to ensure safety and compliance with the law. We will follow the same process of obtaining bids for the roof and any projects that may be required in the future, and unlike the previous leadership, we will be informing shareholders about upcoming major projects and the expected cost.

Full transparency and communication: this is YOUR co-op and YOUR money – you have every right to know how this money is being spent. **Currently, we have approximately \$1,000,000 of past-due unpaid invoices, some of which date back to 2018.** While it is not unusual to have invoices payable at the end of any given month, these appear to be excessive, unexplained and a function of many years of irresponsible fiscal management. **We are also in the process of investigating certain dubious financial transactions as well as other acts of possible mismanagement that we have discovered since being elected to the Board and are in consultation with our attorneys to decide the best course of action.**

### **STEAM/SAUNA ROOM**

The steam room project was started approximately six years ago and at that time the estimated cost was \$250,000. Unfortunately, after sitting down with vendors involved with the steam/sauna room, we have learned that because of poor budgeting and spending, the current estimated total cost of the project has grown to \$450,000, and currently approximately 40% of the work is still not completed. Based on our review, only \$154,000

of expense invoices were paid, \$158,000 of invoices remain open, and an additional \$138,000 would be needed to bring it to completion. Currently this work is on hold until we can fully assess where best to allocate our resources. We know this would be a nice amenity to have, but we have to be mindful of the additional funds needed to complete it and ultimately, where the money will come from. We will keep you updated on the future status.

### **COMMUNITY ROOM**

When we came on board, we found out that the co-op had already incurred a cost of about \$375,000 on the community room, with several invoices still unpaid. We have looked into the remaining work to complete the community room, which is estimated to be \$20,000. If all goes as planned, we will be able to have this room ready for use in 3 months (about 1 month is needed to complete the work, once we are able to start, and up to 2 months to receive a proper certificate of occupancy). Please bear in mind that as far as a definitive completion date, we are at the mercy of our finances, the coronavirus and also the New York City Department of Buildings, but we will keep you informed on the progress.

### **STAFF BONUSES**

In December 2019, despite operating at a deficit and recording a net loss for the year, the prior leadership authorized a total of \$21,800 to be paid out in bonuses. While we appreciate the hard work of our employees and feel that bonuses are warranted to reward that hard work, our financial situation did not justify such large bonus amounts.

### **CREDIT LINE**

During our campaign, we became aware of a \$1,000,000 credit line available with our bank, however it was not known whether it had been drawn upon. We are happy to report that despite plans by the previous leadership to borrow \$750,000 from the credit line in November of 2019 to begin other capital projects, such plans never materialized

because the new Board won the election and stopped it from going forward. As of now, the credit line remains undrawn and fully available if needed.

### **CO-OP ATTORNEY**

We have terminated our relationship with the previous attorney, Thomas Kerrigan of Finder, Novick Kerrigan LLP, and we've retained Woods Lonergan PLLC as the Board's General Counsel for the Cooperative's legal work and the law firm of Adam Leitman Bailey for special matters. This arrangement is projected to be more cost efficient overall for our co-op, as compared to our prior arrangement.

### **BY-LAWS AMENDMENT**

As many of you know, our By-Laws' "Director Qualifications" and "Resignation and Removal" sections were recently reviewed. It was recommended by our legal counsel that these sections be amended to better clarify these requirements. **As previously written, the By-Laws did not require that a Director had to be a shareholder or a resident of the building, to serve on the Board. Further, it stated that if the Director ceases to be a shareholder (or whose spouse ceases to be a shareholder) they are deemed to have resigned as a Director.** We felt that Board members should have more of a vested interest to serve our co-op. At the Board meeting on February 25, 2020, an Amendment to these sections of our By-Laws was passed. **It now states that to serve on the Board of Directors and remain on the Board, the Director must have been a shareholder (or the spouse of a shareholder) for the previous 24 months period AND a full-time resident of our co-op.** This amendment clarifies who is qualified to run for the Board of Directors going forward. The By-Laws amendment passed will be distributed to all shareholders with May's maintenance bill.

### **MANAGEMENT COMPANY – TKR**

After discussions with TKR and learning more about our arrangement with them, we found out they were previously engaged in a limited capacity – our contract with them was for the most part for back-office bookkeeping services. We strongly believe the building our size needs the full services of a management company to have everything run smoothly and have sufficient oversight of our operations. Therefore, we reviewed and interviewed with various management companies during February and engaged in contract negotiations. TKR was given the opportunity to make their proposal as well. After thorough discussions we, were able to renegotiate our agreement with TKR and they offered us optimal contract terms that were meeting the needs of our co-op, both financially and from a service perspective. They offered us two account managers who will give us on-site coverage five days a week, each with their own expertise. In addition, the senior account manager, Howard Mandel, will visit us weekly to attend to all our needs and provide oversight on large projects. We feel they bring the experience needed to affect a lot of positive changes and improvements. It is of great benefit that they already know our building very well and possess many historical records. They also bring interesting ideas and suggestions, which has been extremely helpful. For example, one of their suggestions was that Board members have access to security cameras to help us stay more connected to what is happening inside the buildings. In addition, they suggested the all residents have access to some cameras such as the lobbies and laundry area. Unfortunately, our security camera specialist advised that our current camera system cannot handle multiple shareholders logging into the system at once, as it would crash. We will be looking into alternative solutions.

## **NIGHT SECURITY GUARDS**

We have researched, compared prices and negotiated for our night security guard service. We are considering several options, including retaining a new company. **This may potentially reduce our hourly cost by about \$5.00 per hour, which would result in annual savings to the co-op of about \$20,000 per year.** Price shopping works.

Furthermore, by having a working security system in place, we can evaluate the suggestions of some shareholders to have one security guard patrol both buildings and save approximately an additional \$85,000 per year! When the guard is in the 50 building, he can monitor the 40 building lobby on cameras, and when he is in the 40 building, he can monitor the 50 building.

## **INTERCOM/ENTRY SYSTEM – BUILDING 50**

We have researched, received competitive bids and contracted for the installation of a new, modern front door intercom system for the 50 building — the current system has been completely broken for over a year. **The cost of this new system is approximately \$11,000 versus the \$125,000 cost that was previously quoted by the prior Board to replace the old system.** The new intercom is touch screen and rings to any phone number entered into the system (cell phone, home phone, etc). Because of the coronavirus situation, the installation date had to be postponed and is now tentatively scheduled for May 1<sup>st</sup>, 2020. We will keep you updated.

## **OPEN-DOOR POLICY**

As you know, in early February, we instituted an open-door policy for the onsite resident manager to improve communication, trust, service and overall relations with the residents. Since implementing this policy we've received tremendous positive feedback from our residents about this increased accessibility.

Further, we are incorporating a shift in the onsite resident manager's schedule to help accommodate those who want to see him but aren't always able during the day or even the week. This schedule change will allow him to be more available to shareholders and the Board.

## **SUBLET FEES**

Upon our detailed review, we discovered that certain shareholders were not paying their full sublet fees! This issue was corrected retroactively to the first occurrence. Some shareholders are in arrears for maintenance and other charges, and this is currently being addressed. We will be reviewing the late fees in the near future to see if it is feasible to enhance them to discourage this practice in the future. We are also performing a complete audit of all units in the buildings to identify any illegal subletting.

## **LAUNDRY ROOM**

Many of you were concerned with laundry room cash collections. We are pleased to report that we have implemented a strict cash collections policy to ensure proper collections and cash reconciliation procedures. **Cash collections will always require the presence of two Directors, one of whom must always be the Treasurer.**

## **DEPOSITS FROM SHAREHOLDERS/RESIDENTS**

We are in the process of implementing an improved policy concerning various deposits to make sure that all deposits are carefully tracked and returned in a timely manner upon satisfaction of all required conditions.

## **BUILDING PREMISES**

Do you remember all of the trash on the side and back of the building? In case you haven't noticed, we had the majority of the trash removed. This was unsightly and a fire hazard, and it attracted rodents. The good news: most of it is gone. We have also cleaned out the rubbish that had been collected over the years in storage rooms throughout the

buildings. Much to our surprise, we found two instances where shareholders were using rooms in the building for their personal storage and not paying for it! This situation has been rectified.

We had a flat screen TV that was running advertisements removed from the 50 building lobby; this was not appropriate for a luxury building. **We had no contracts and we weren't even being paid for it.** Same goes for the tablets in the elevators — we are approaching the company to see if we can get some type of revenue-sharing. If we can't make a deal, we may consider replacing those tablets and offering advertising to local businesses as an opportunity to advertise with us directly, and we would keep all the revenue.

### **STORAGE SPACE**

We have completed an audit of the existing storage room to confirm if the co-op is collecting all rental fees and found that about half of the storage cages, as well as half of the bike spaces, have not been paying any fees for a long time. Some were being used for free, and some were simply abandoned. We will remove the items and make over 30 storage units available for rent, which would translate to additional annual revenue of over \$13,000 per year.

**a) Garage-Storage** of personal items. Garage users were asked to clean out their personal items (strollers, shopping carts, tires, etc.) from the garage as they are fire department violations. Additional bike racks for rent have been placed in a designated spot in the 50 garage to accommodate the additional need for storing bikes.

**b) Additional Storage Space** We have done some research and received various estimates for creating additional storage space in building 40 (old gym room) similar to the one we currently have in building 50. Numerous shareholders have expressed an interest in renting storage spaces. We are evaluating the need for this and created a survey, which you will have received by the time this letter comes out, to help us better understand

the level of demand, and the storage sizes that are most desirable before we move forward. If you haven't received this letter, please send an email to [4050brighton@gmail.com](mailto:4050brighton@gmail.com) and we will get it to you. Also, you can fill out the request form next to the **President's Box** (near the mailboxes in each building). We expect to generate additional revenue while at the same time adding convenience for our shareholders. Once it is fully rented, out it would pay for itself in less than two years.

**c) Other Storage Needs** In addition, we now have two smaller rooms available in building 40 to accommodate special storage needs, for storage of larger items, furniture, appliances, etc. this will be available for rent on a short term and flexible basis. Let us know if you are interested.

### **PARKING GARAGE**

We are auditing the parking garages in both buildings and the garage waitlist. We have been reviewing if all garage users are paying correct fees and if anyone was granted parking spots out of order. We are reviewing/ discussing various garage-related policies and we have recently formed a *Garage Committee* which has already started doing work for the co-op. This committee will assist with an internal audit, ensuring that all spots are registered correctly and properly assigned, and that all leases are updated. They will also help identify and evaluate unauthorized parking and make sure that the parking garage is in compliance with co-op and FDNY rules.

### **COMMITTEES**

Aside from the *Garage Committee* mentioned above, we have identified volunteers to work with us, and we have formed additional committees to assist the board by gathering information and making recommendations.

- *House Committee* – involved with day-to-day functioning of the building (cleanliness, maintenance).

- *Construction and Project Management Committee* – a resource offering oversight and technical feedback regarding our communications with engineers, architects and contractors.
- *Legal Committee* – involved with the review of legal issues before they go to our corporate counsel.
- *Neighbor Conflict Resolution/Mediation Committee* – assist with issues between residents (complaints, noise, etc.)
- *By-Law Committee* – assist with a review of our by-laws and make suggestions for improvements.

## CORONAVIRUS

These are certainly challenging times. While the coronavirus situation is ever-changing, the Board of Directors is committed to the safety of our residents and are doing our part to help reduce the spread of the virus.

As a precaution, we have increased sanitizing and disinfecting in all common areas, including the most frequently touched surfaces like the intercom entries, doors, stairwells, laundry room, vending machines, and elevator buttons to name a few. For the past four weeks, the staff has been disinfecting these surfaces every two to three hours.

We have installed automatic hands-free sanitizing dispensers in each lobby and have purchased hand sanitizer, latex gloves and face masks for all building staff and residents. These have been handed out in the lobbies of the 40 and 50 buildings for the past several weekends and dropping these supplies off at resident's doors upon request. We also created an informative video about the coronavirus and how our building is handling the situation. This video was emailed and texted out to everyone we had contact info for.

If you missed it, you can view it here:

<https://4050brighton.wistia.com/medias/oiwqtgixck>.

More videos are planned in the future as a way to improve communication between the Board and the residents.

## PATH FORWARD

Given the co-op's current financial situation, which was passed down to us from the old leadership, we are now in the process of reviewing and discussing our options for raising the funds needed for the required building work and for necessary operating capital. We have started inquiring with several banks about the cost to refinance our mortgages. Currently bank interest rates are at historical lows, and it could benefit our co-op to take advantage of this. We simply have no alternative and there are not enough variable expenses we can cut to raise the amount of capital that will be needed.

Many shareholders are asking if there will be assessments and maintenance increases. We understand your concerns. Unlike the previous leadership, we will keep our promise of transparency and open communication and plan on updating you on any further developments.

In late 2019, **the previous Board had approved a \$5.4 million assessment that was supposed to go in effect in the 1st quarter of 2020. We stopped that from moving forward.** We understand that an infusion of money is likely needed because of our current financial condition, and we are now exploring the advantages and disadvantages of all possible options for our co-op.

## SUGGESTIONS AND IDEAS

We are open to any ideas and suggestions you may have to help increase our revenue and cut expenses. Some of the suggestions we've heard are:

- Raise the parking garage fee closer to the market rate in the area
- Increasing the transfer fee (flip tax)
- Increasing the gym fees by a modest amount

While we haven't yet committed to any of these, we understand that any and all tweaks can bring in much-needed revenue and help improve our financial situation.

### **OPEN MEETING – “STATE OF THE CO-OP”**

We were planning to have an open meeting for shareholders. However, with the coronavirus situation we are not be able to do this at this time. For now, we will be keeping you informed via newsletters, email/text announcements and videos.

### **SUMMARY**

- We reviewed all finished and ongoing projects and discovered that many of our major capital projects had very little documentation and in some instances, NO contracts at all.
- We STOPPED all current building projects, which were costing us tremendous amounts of money every month.
- We have amended our By-Laws' "Director Qualifications" and "Resignation and Removal" sections.
- We instituted an open-door policy for the onsite resident manager to improve communication, trust, service and the overall relations with the residents.
- We renegotiated the contract with TKR. They offered us two account managers who will provide on-site coverage five days a week.
- We are in the process of implementing a policy concerning various deposits to make sure that they are all returned in a timely manner upon satisfaction of all required conditions.
- We have implemented a strict cash collections policy in the laundry room to ensure that the collections are properly accounted for.
- We are installing a new modern front door intercom system for the 50 building to replace the broken one.
- We are negotiating with a new night security guard service. This will result in annual savings to the co-op of about \$20,000 per year and potentially another \$85,000 per year by eliminating one security guard when the intercom is installed in the 50 building.
- We have formed multiple committees to assist the board.
- We have started auditing the parking garages and garage wait list and are instituting new policies to ensure fairness and limit abuse.
- Additional storage rooms are now available in building 40 to accommodate special storage needs.
- We have created a dedicated email account [4050Brighton@gmail.com](mailto:4050Brighton@gmail.com). This email account allows us to have our finger on the pulse of our co-op, and we're working very hard to assist everyone with their inquiries in a timely fashion.
- We have set up a President's Box near the mail rooms in both lobbies, giving all shareholders and residents the opportunity to communicate with us directly to address questions, suggestions, issues and concerns. This box is checked several times a week.
- We are evaluating several ways and ideas to save on our energy costs (gas and electricity) and are in the process of obtaining proposals.

### **CONCLUSION**

From the very first day we were voted in as the new Board on January 9th, we have been hard at work. As promised throughout our campaign, we pledged transparency and responsiveness to your needs. Additionally, we plan to have **open, informational meetings a few times a year** in an effort to stay connected regarding ongoing news and issues. We ask you for patience as we continue working on correcting the situation we've inherited; it takes a

significant amount of time to analyze and resolve the issues we are working on.

We know it will take some time to turn our financial situation around, and we truly believe that this Board of Directors has the knowledge and experience to get the job done! With proper financial management, and time, we are confident we can put our co-op on a better financial path. This year, we have a lot of challenges ahead, but we are very optimistic about the future of our co-op and extremely excited about what we have accomplished in such a short period of time.

Sincerely,

Rich, Julian, Craig and Paul