

MAXWELL-KATES, INC.

REAL ESTATE PROPERTY MANAGEMENT



Dear Valued Client:

Recently we informed our clients of exciting changes and new opportunities taking place at Maxwell-Kates, Inc. David and I are humbled and honored to have been entrusted with the responsibility of leadership in continuing to build upon the legacy of our family business. It is our mission to provide our clients premier management service.

Our fathers, Robert Freedman and Eugene DeGidio, started Maxwell-Kates 35 years ago while operating out of a one room office, and due to their vision, we now manage 140 buildings throughout the New York Metro Area.

We have been preparing to assume this position of leadership and have each spent almost two decades familiarizing ourselves with building systems, accounting procedures, administration and hands on day to day management. Our passion, dedication and loyalty has afforded us the opportunity to continue to make an impression on the industry. Today, we can look to the bright future of Maxwell-Kates with a nod to the past. For us to achieve our vision of making Maxwell-Kates the leader in elite New York City residential property management, we must continue to enhance our support system for our clients while being an industry leader in proactive initiatives.

In the weeks and months ahead, we will be sending out communications to our clients to keep you up to date with some of our planned improvements. In addition, we will be asking clients for feedback so that we can expand upon the needs of our clients to position ourselves to meet those objectives.

In the interim, if you would like to communicate directly with either of us, please feel free to email us at mfreedman@maxwellkates.com and/or ddegidio@maxwellkates.com.

Wishing you all a safe and happy holiday season.

Very truly yours,

Max Freedman

Max Freedman
Chief Executive Officer

David DeGidio

David DeGidio
President



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Contact Us

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For a comprehensive review of our firm, please visit our website at www.maxwellkates.com

Compliance

Maxwell-Kates, Inc. is excited to announce the recent hiring of Faith Price as its new Director of Compliance. Ms. Price's expertise and knowledge of ever-changing NYC and NYS codes, policies and requirements are second to none. Her knowledge of current code requirements as well as recently approved legislation serves as an educational platform for our managers.

Ms. Price will be overseeing our Compliance Department to ensure all annual filings are adhered to in a timely fashion as well as proactively implementing procedures to be ahead of deadlines for new local laws and state regulations. Ms. Price will be working directly with MKI's Account Executives to monitor and investigate underlying issues at each respective property, successfully anticipate and adhere to filing deadlines, and when necessary, create a strategy to successfully remove violations with minimal risk and monetary damages to the building.

A word from Ms. Price...

It is our mission to stay on top of all NYC and NYS regulations, complete annual filings, renew permits and monitor violations issued by the respective enforcement agencies.

We have successfully implemented systems within the department to help track and monitor all deadlines for several compliance items which include but are not limited to:

Annual and Five-Year Elevator Inspections

Annual Backflow Inspections

Annual Cooling tower Filings with NYS and NYC

Petroleum Bulk Storage Permit Renewals

FDNY Permit Renewals

Annual Boiler Inspections

Annual HPD Bedbug Filings

Triennial (Boiler) Certificate Renewals

Pool Permit Renewals

What's New...

Most of our clients have completed or are currently in the process of completing the new DOB requirement to install a Door Lock Monitoring system in their automatic elevators as required under ASME A17.3 Chapter K3 of the New York City Building Code. This code change, required to be complied with prior to January 1, 2020, is one of several new laws, applicable to all automatic Passenger and Service elevators, that a building must address.

In the next upcoming months/years, Local Law 152 (Gas Piping Inspections), Local Law 88, 132 & 134 (Lighting System Upgrades) and Local Law 97 (Reduction in Greenhouse Gas Emissions) will all require compliance. We have already started working with the management executives to make certain our clients are educated as to the specifics of these laws and are on schedule to meet their required deadlines.

Pursuant to Local Law 33, an amendment to the Benchmarking annual requirement, energy efficient scores and grades for buildings over 25,000sqft shall be obtained, assigned and disclosed. Additional communication to follow from your respective Account Executives.

In May 2019, NYC passed Local Law 97, a robust portion of the NYC Climate Mobilization Act that requires all buildings over 25,000 sqft to reduce their carbon emissions every 5 years starting 2024 until 2050. Buildings that don't comply are subject to punitive penalties. This is a rather complicated and high-profile law. Maxwell-Kates, through its Compliance Department, will be devoting a substantial amount of time in the weeks ahead to evaluate the most effective method to support our clients in developing a plan of action for each applicable building to satisfy LL97 requirements. Please be on the lookout for material addressing LL97 as well as all other significant laws coming into effect.

Staying Informed...

With so many rules and laws requiring familiarity, I circulate a weekly "Didn't you know" article to our managers. Below is a sample of a weekly communication shared with our staff concerning smart meter installations, what it is and what is needed in order to comply.



Didn't you know?

Are you getting letters non-stop from Con- Edison to upgrade their Gas Meters/ Electric Meters to Smart Meters?

Here's Why.

Fun Fact: When NYC and/or NYS implements code regulations management is not the only party that is required to comply. They also release codes that require the NYC agencies/ NYC companies to do things on their end too. Con-Edison got hit hard by NYS on their requirements in order to comply with LL97 Emission Reductions for 2024-2050.

What is a Smart Meter?

It's a digital meter that communicates between your residence or business and Con Edison over a secure wireless communication network using the same type of extremely low-frequency radio signals that allow you to use your smart phone, listen to the radio, or watch TV. Your meter transmits data to a system of access points on utility poles, which send your usage information to them. Smart meters alert Con-Edison immediately about problems in your area, so they can get to work restoring power even faster.

What is the difference between my current meter and a Smart Meter?

Traditional meters and automated meters record total energy consumption, which Con- Edison collects on a monthly basis. Smart meters record and transmit your energy consumption regularly throughout the day (via a secure wireless network) and will help them create a smart grid for the New York City area. Smart meters give you access to detailed information about your daily energy use and customized information to help you conserve energy and save money.

What if I don't want a Smart Meter?

Residential customers can choose to not have a smart meter installed. By opting out you will miss out on all of the benefits, including the ability to save money and energy by managing your energy usage. If you choose not to have a smart meter, Con Edison will be required to send a meter reader to your home. You will be charged for this service and may also incur the following additional charges: They will attempt to read your meter on a bimonthly basis, and you will be charged a monthly fee of \$9.50. If you choose to have your smart meters taken out, you will be charged \$104.74 for each electric meter and \$93.81 for each gas meter. Con Edison has the right to install an automated meter-reading device or smart meter at their discretion if they are unable to obtain access on four consecutive bimonthly meter-reading dates.



What if you have not received a letter yet?

Smart meter installations began on Staten Island in 2017 and they will continue through 2022 in Westchester, Brooklyn, Manhattan, the Bronx, and Queens. You'll get a postcard from Con-Edison about three months before they come to your neighborhood, and a letter 45 days before installations begin.

Though you are not required by law to install Smart Meters it is in the best interest for your building to change out to the new equipment. DO NOT FEAR- this is not a scam. If someone from Con-Edison shows up at your building and you are not sure who they are, ask the individual to provide their Con-Edison ID and call 1-800-752-6633 to verify their ID.

Smart Meter Scams

Con- Edison Does NOT require deposits for installation of a smart meter.

Con- Edison does not accept Bitcoin as payment for products and services.



Property Taxes

Property taxes in New York City are rising at an unprecedented rate. As a result, protesting your assessment each year, a process commonly known as tax certiorari, becomes a critical component to a cooperative's operation and to condo unit owners. Tax certiorari, however, is an extremely complicated process, and is handled by specialized tax attorneys. Often times, these tax certiorari attorneys operate within a vacuum. Our primary goals are to sift through that vacuum and make sure that all efforts are being made to fight in the most aggressive manner.

Due to the large financial impact of real estate taxes on our clients, MKI has retained the services of a property tax specialist. Through this service, we can explain the entire property tax process; from what goes into the creation of the yearly assessment, how property taxes are calculated, to offering judgement as to whether an account may be over assessed. In addition, we monitor the certiorari firms on behalf of clients to ensure all documents are filed, all deadlines are met and that they are properly prepared. We also help to analyze offers and negotiate the cert attorney's fees. Most importantly, this service offers another set of experienced eyes to look over the efforts of the certiorari attorneys; a fact they are aware of and frequently welcome.

Our goal is to make certain our clients not only understand the complex certiorari process, but to also feel confident that their assessments, one of the primary components for creating property taxes, are being protested as a priority. If your Board has questions regarding this service, please contact your Account Executive.



**Ask Michael Bogart, Esq.
Maxwell-Kates, Inc.**

Inquiry:

Dear MKI,

Our co-op adopted a transfer fee or flip tax a number of years ago. Now, the amount of the fee seems antiquated. Can the Board adopt the change or do we need a shareholder vote? Can it be done without a meeting?

Response:

In most situations, changing the amount of a transfer fee would require the consent of a supermajority of shareholders. Unfortunately, except in rare cases, voting on this amendment would have to be done at an annual or special meeting of shareholders, unless your co-op's bylaws or certificate of incorporation provides for written consent in lieu of a meeting. It is important to remember that when amending governing documents (like your proprietary lease or bylaws) strict adherence to corporate formalities is vital. While many of these formalities may seem mundane or unnecessary, they are essential to survive challenge by displeased shareholders.

Budget Preparation

Submitted by Robert Maina, MKI, CFO

One of the integral components of the successful operation of a building is the development of and adherence to a well-prepared budget. Most, but not all, of our clients are on a calendar year outlook, so our Financial Analysts are primarily focused on the preparation of the upcoming year's budget in October, November and December. However, a good deal of preparatory work is done prior to the actual drafting of a budget.

Financial Analysts (FA's) review the the general ledger of each building, on a monthly basis, to ensure expenses are properly categorized. For example, plumbing expenses are separated from heating repairs and capital expenditures are separated from operating expenses.

In August, we review budget assumptions for the upcoming year. We consult with industry professionals as needed to come to project the most accurate estimates available, to help determine utility costs, water and sewer estimates, insurance trends and real estate tax assumptions.

Typically, we utilize 9 or 10 months of actual expenses and 2 or 3 months of projections as a basis for the upcoming year's budget. Contracts are reviewed and the FA's consult with the management executives to learn of any pending projects or unanticipated expenses that may have recently occurred. Also, we receive a list of upcoming capital projects from the Account Executives.

If the building is subject to a contract with 32B&J, or another Union, payroll expenses are subject to the contract terms for both labor and benefits. In addition, overtime payments are carefully reviewed. All our payroll is done in-house so our computer system is set up for alerts as to when an employee is entitled to increased pay and when benefits for new hires are scheduled to be paid.

In many cooperatives, real estate taxes are the single largest component of the budget. We speak with each building's certiorari attorney, including our tax specialist, to gain an understanding of the impact of any recent settlement.

Our budgets include pie charts, which helps explain that most of a building's operating expenses are fixed with little, if any, control over. Pie charts typically show that more than 80% of a buildings operating budget is made up of; payroll, utilities, real estate taxes and debt service (for cooperatives).

Recognizing that utility costs represent a major portion of each building's operating expenses and expose buildings to potential variances over which there may be little control, MKI has partnered with an Energy Consulting Group to combine our bulk purchasing power with their expertise to provide natural gas and electric pricing as a hedge against spikes in energy costs and to provide a degree of budget planning certainty. **If not already enrolled, we encourage you to ask your agent more about this service.**

Our FA's are available to Board Treasurers, or other Board Members if needed. Our goal is to make this very important component of a building's operation as user friendly and accurate as possible.