

Newsletter

Number 104

350 Bleecker Street

March 18, 1998

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The board met 3 times in December (4th, 9th, and 16th) and twice in January (13th and 20th). There was also a general shareholders meeting on December 16. Among the items discussed:

Star Tax Exemption

There are 2 different real estate tax reduction efforts underway. The first is a credit already granted against the January shareholder maintenance payments. The second is a credit that will be granted to shareholders in the future, called School Tax Relief ("STAR").

To get your STAR exemption, you must file a form with the New York City Department of Finance, P.O. Box 1366, Church Street Station, NY, NY 10038. Although the forms are printed with a due date of January 5, 1998, filings submitted after this date may still be eligible. If you have not yet filed, you have nothing to lose (although results are not guaranteed) by doing so immediately. See the super, Mr. Rifat Otovic, for forms. For details on this confusing issue, you can call the Taxpayer Assistance Line at 718 935 9500, or e-mail them at Starex@DOFLAN.nycnet.ci.nyc.ny.us or read the web site at <http://www.ci.nyc.ny.us>. or write to:

STAR Program
NYC Department of Finance
1 Centre Street, Room 373
New York, New York 10007

In the first year, the STAR exemption will only apply to people 65 and over whose incomes are up to \$60,000. All other people will receive their exemption beginning July 1, 1999.

Construction

The board voted to fund the entire construction project, after listening to the shareholders at the meeting on December 16. Certain shareholders suggested that parts of the project may be "frills" or may be postponed. Examples suggested included repainting the fire escapes and rebuilding

the garage roof. The overwhelming majority of shareholders who spoke at the meeting preferred that the project be done as promptly and completely as possible for these reasons:

- a. to curb further deterioration of the building's structure
- b. to keep the construction period as short as possible to minimize discomfort
- c. to keep the overall cost as low as possible (contractor profit margins on a series of smaller projects are generally higher than 1 large project).

The majority of shareholders speaking at the meeting preferred that the project not be financed via further borrowing. Reasons included the relatively high cost of loan fees and loan-related expenses (which could approach 10% of the total loan, in addition to the interest cost).

Mark Lilien handed out four pages of notes at the shareholders' meeting. However, these notes were not intended as the representation of the Board. If you have any questions or suggestions about the project or the shareholder meeting, please feel free to call any board member.

Assessment

As a result of the discussion, the board voted unanimously to assess all shareholders 53 cents per month for 30 months, starting January 1, 1998. This assessment will raise \$273,829.80 which will go towards the project. If the project ends up costing less, the board has the option of ending the assessment before the full 30 months are up. However, if the project costs more, the board may have to take other actions (borrowing, maintenance increase, additional assessment, scaling down the project, reducing other expenses, etc.)

The exact cost is not perfectly predictable because certain physical conditions of the building are not readily and precisely evaluated until construction starts. The bids were written in a "unitary" fashion, so that the price is self-adjusting. For example, the roof underlay decking is assumed to require 20% replacement. If it requires half that, the building will receive a credit from the contractor. If the deck requires 30% replacement, the cost for that element will be higher than the total amount initially budgeted. The additional amount or the credit will be based on the number of square feet requiring replacement. That amount cannot be known precisely until the layers covering the deck (the black "tar", "tar paper", etc.) are removed.

Construction Project Approvals

The construction project had to be OK'd by Ken Newman, acting as the major Holder of Unsold Shares. Ken pointed out that Article II Section 6 of the Bylaws gives the Holder of Unsold Shares the right to approve or deny capital or major projects of this type as long as Unsold Shares constitute at least 25% of the total shares of the co-op. Since there were 4,744 Unsold Shares on December 16th, this proportion was 27.5% of the 17,222 total shares issued. Ken, on behalf of the Unsold Shares, approved the project.

Unsold Shares are shares owned by investors who do not live in the building. When these apartments are sold to owner-occupants, they lose their designation as "Unsold."

Construction Contract Signed

After evaluating the bids, the board voted to hire M&G Construction. Among the highlights of the construction contract:

- a. Work starts March and ends December 1, 1998
- b. Sidewalk bridge removed August 31, 1998
- c. Each day the contractor is late will reduce our price \$500
- d. Payments to M&G are estimated at \$914,000 if the estimated unitary amounts are encountered
- e. M&G will be paid \$500,000 in 1998
- f. M&G will finance the balance, up to \$614,000, at no interest as long as the co-op pays off the balance in 12 equal monthly installments in 1999
- g. A performance bond is included from an insurance company, that will insure the building against the contractor's failure to perform

The construction contract was negotiated by Mark Lilien, Bob Mishkin, and Ken Newman.

1998 Budget

The board met with Burt Feldman, the co-op's CPA, to help create the budget, which is shown on the attached pages. As a result, the maintenance fee was raised to \$4.65 from \$4.55, approximately a 2% increase. The bike room rental was raised from \$75 annually to \$100.

Mortgages

Interest rates are at fairly low levels. Anyone who wants to refinance a mortgage loan on an apartment may do so without special board approval, provided the loan amount does not rise and the payments are no higher than before.

You may want to join a nonprofit credit union to get an economical loan. Mark Lilien (212 929 4619 or 800 772 7100 ext 245) is a member of 6 credit unions, and would be happy to help you research this topic. He has a list of 12,000+ insured credit unions.

Laundry Room Contract

The laundry room contract with Fowler Route Company was signed. It was negotiated by Mark Lilien and Ken Newman after Mark solicited bids and negotiated with numerous other laundry firms. Among the contract's highlights:

- a. 55% of all funds collected will go to the co-op
- b. new equipment
 - ten 30 pound dryers (50 cents for 10 mins)
 - four 12 pound top load washers (\$1.25)
 - four 14 pound front load washers (\$1.50)
 - one 35 pound front load washer (\$2.25)

- c. new venting
- d. cash card machine, instead of quarters
- e. machines requiring service more than 3 times in 30 days will be replaced
- f. minimum payment of \$700/month to co-op

The old equipment was eight 12 pound dryers (50 cents for 15 minutes) and eight 12 pound top loaders (\$1.25). The old dryers generally needed 45 to 60 minutes (\$1.50 to \$2) to complete their task. The new dryers are expected to be faster (30 to 40 minutes, \$1.50 to \$2), since they are larger.

The laundry was renovated and the new machines installed before the end of February. There were a few days of no laundry service during the renovation and installation work.

Management Contract

A majority of the board, by vote of 5 - 2, including Ken Newman, voted to renew Ken's management contract for another 3 years at the same rate of \$49,500 annually.

Preferred Broker Program Ended

A majority of the board voted to end the designation of Betty Fox's agency as the "preferred broker" for the building. Edna Marshall was not present for the vote on this issue. Edna works for Betty Fox.

The principal reasons the majority of the board voted to end the designation was (a) a possible conflict of interest since Edna is a board member and (b) the reason for the program no longer existed.

Pay Your Maintenance Automatically

If you want to pay your monthly fees automatically, they can be deducted from your checking account electronically. You save the cost of a stamp, the time wasted writing a check, and you'll never pay the \$50 late fee if your payment is lost in the mail. Just write "Deduct my maintenance automatically" on one of your blank checks, sign it, and slip it under Jim Kafadar's door (6C).

The postal service performance was so poor in late December and early January that numerous maintenance checks were received late. Don't let this happen to you!

Cash Management

George Ong volunteered to help the co-op get an improved interest rate on its cash by opening a money market account, insured by the Securities Investor Protection Corporation, with free checkwriting privileges and a constant \$1 net asset value per share. Until now, the co-op averaged around 2% interest on its cash. This method should yield over twice that amount. For example, USA Today each Friday lists money market fund yields. A recent Friday listed yields

averaging 5.08% for the 15 biggest funds. George will work with Ken Newman to find the best rate, with the safest protection against risk.

Engineering Legal Issues

The co-op sued Richard Balsler, its former engineer, and won, but has never collected any money from the suit. Ken Newman wrote to the engineering license agency (New York State Education Department, Office of Professional Discipline) to see what can be done without having to spend more funds on legal fees. The lawsuit was based on Mr. Balsler's lack of performance completing documents needed by the co-op to bid its boiler replacement project.

Health News

Two local hospitals offer free "club memberships." Club members are put on mailing lists inviting them to free or low-cost health screenings, flu shots, health seminars, etc. The St. Vincents club is called "Village Health Club" (212-604-7572). The Beth Israel "Healthy Neighbor" phone number is 212-420-4247. These 2 listings do not constitute any endorsement of these clubs or any particular health care options.

Contracts

If you any shareholder wants to see any of the contracts mentioned in this Newsletter, just ask any board member.

Cash Position (Includes short-term investments)

Cash Position	1997	1996	1995
January 31	\$583,757	\$516,262	\$376,167
February 28	609,639	553,383	399,249
March 31	642,632	553,724	459,076
April 30	676,585	647,187	490,310
May 31	800,824	685,964	517,706
June 30	801,467	728,533	487,841
July 31	773,744	684,148	475,477
August 31	769,580	716,989	461,193
September 30	729,885	670,103	410,117
October 31	791,903	701,614	233,233
November 30	816,631	579,020	231,580
December 31	707,182	713,424	520,628
Average	\$725,319	\$653,000	\$420,885

Building Ownership

Of the original 137 apartments:

- a. number of apartments owned by sponsor, not for sale at this time: 33
- b. number of apartments owned by sponsor, contracted or offered for sale: 0
- c. number of investor-owned apartments: 2
- d. number of apartments sold: 102
- e. number of apartments sublet: 0

Condolences

The board members donated \$100 to Cornell University Medical College in memory of Bob Mishkin's father Michael Mishkin and \$100 to The Max Fund, in memory of James Kafadar's father Ahmed Kafadar, both of whom passed away recently.

1998 Budget

	1998 Budget	1997 Budget	1996 Budget	Thru 10/31/97	Thru 10/31/96
Commercial Rent	86,000	86,000	86,000	71,666	64,500
Additional Rent	24,000	20,000	20,000	24,438	18,687
Laundry	9,000	16,000	10,000	14,860	7,775
Interest Income	10,000	6,000	7,000	6,146	11,490
Bank Dividend	1,200	3,250		1,215	33,087
2% Sales Fee	17,000	15,000	14,000	17,170	23,774
Late Fees	2,000	1,500	1,500	1,980	1,720
Sublet Fees	0	1,000	10,000	419	7,975
Sublet Interview Fees	0	350	500	175	1,828
Bike Room Rent	1,000	700	700 -		175
Total Income	150,200	149,800	149,700	138,069	171,011
Real Estate Tax	270,100	287,000	275,000	134,208	142,869
NYS Franchise Tax	2,000	3,000	3,000	1,483	1,584
NY Corp Tax	2,000	3,000	3,000	1,317	1,482
NYC Vault Tax	0	150	0		150
Mortgage Interest	289,699	271,391	272,999	226,276	227,610
Mortgage Principal	23,136	21,443	19,835	21,304	0
Total Taxes & Interest Paid	586,935	585,984	573,834	384,588	373,695
Cooking Gas	3,500	3,500	3,000	3,191	2,765
Oil	0	0	30,000		
Electricity	16,000	16,500	15,000	15,062	13,867
HotWaterGas (summer)	4,000	7,000	0		0
Steam Gas	30,000	30,000	0	24,038	28,475
Water & Sewer (includes rebate)	20,000	9,000	2,000	107	0
Total Utilities	73,500	66,000	50,000	42,398	45,107
Insurance	49,000	58,100	58,100	47,851	55,902
Management Fee	49,500	49,500	49,500	40,833	44,916
Legal	7,500	15,000	10,000	39,192	12,865
Accountant	6,750	6,500	6,250	3,125	6,000
Phone	2,200	3,000	3,000	1,866	1,447
Postage	1,100	1,000	1,000	975	791
Licenses & Permits	500	500	1,000	131	237
Office Expenses	7,000	5,000	5,000	6,532	3,485

Misc. Expenses	0	0	0	0	0
Security System	1,000	0	0	779	2,923
Certiorari Legal Fees				25,322	
Total Administrative	124,550	138,600	133,850	166,606	128,566
Payroll	147,000	141,000	135,000	117,500	105,990
FICA Taxes	13,000	13,000	12,000	10,833	8,933
Medical	16,000	14,000	14,000	11,667	11,650
Total Labor	176,000	168,000	161,000	140,000	126,573
Boiler, Plumbing, A/C for Stores	7,500	3,000	3,000	10,195	1,924
Janitorial Supplies	15,000	13,000	13,000	13,494	15,508
Elevator	13,000	9,000	9,000	7,287	7,950
Electrician	500	1,000	1,000	257	1,203
Windows	4,000	1,000	1,000	4,691	227
Intercom and Door	1,000	2,000	6,000	687	638
Landscaping	2,500	2,500	0	111	223
Exterminator	4,500	4,500	2,000	3,789	3,788
Exercise Room	500	0	0		0
Painting, Carpet, Cleaning	1,000	5,000	1,000	510	487
Total Repairs	49,500	41,000	36,000	41,021	31,948
Unanticipated Items (contingency)	10,000	10,000	10,000	Incl. Above	Incl. above
Total Expense Include Contingency	1,000,484	1,009,584	964,684		705,435
Addition to Reserve From Maint=ATR	110,704	79,445			
Addition to Reserve From Hallway Sales	17,000				
Total Addition to Reserve	110,704	96,445			
Grand Total Expenses + ATR	1,111,188	1,089,029			
Grand Total Expenses Less Income	850,284	939,229			
Maintenance Fees	960,988	939,229			
Maint Fee Per Share Per Month	4.65	4.55	4.45		

Budget Notes

Commercial rent and the additional rent are paid by the Sponsor, who collects rents from the stores and garage. The sponsor's lease expires 75 years after the building converted to co-op ownership in 1985. Additional rent includes a portion of real estate tax, utility, and all other operating expense increases except doorman. The 2% sales fee is paid by apartment sellers, although when the Unsold Shares are sold, no fee is paid. The laundry revenue in 1997 was 100% to the co-op, but will be only 55% to the co-op for most of 1998. The bank dividend is from The National Cooperative Bank, who holds the \$3.5 million mortgage. 350 Bleecker Street owns shares in the bank, so it receives dividends from time to time.

Real estate taxes are paid 25% on 7/01, 25% on 10/01, and 50% on 12/31. The City usually determines the tax rate during the summer, since the City's fiscal year ends 7/31. So the exact tax rate for 75% of the year's payments is an estimate at the time the budget is created. The vault tax, which was similar to a rent for the space we occupy beneath the sidewalk, was abolished. The mortgage interest declines and the mortgage principal increases each year, but the monthly combined payment stays level.

The boiler can burn oil, but we usually burn gas since it is cleaner. The lack of soot reduces the maintenance cost of the boiler and increases its reliability. The boiler is turned off during the nonheating season and a "summer boiler" (gas hot water heater) is used. The water and sewer payments fluctuate from year to year due to City billing errors and rebates granted for the installation of water-saving toilets and water meters.

Certain accounts, now broken out separately, were lumped into larger accounts in previous years. Examples include: security system; certain utilities; exercise room; landscaping; and painting, carpet, cleaning.

The payroll, FICA, and medical expenses are for the doormen, porter, and super. The office staff are paid by the Managing Agent. Repairs for the stores' air conditioning are paid by the co-op under the terms of the lease with the Sponsor. The elevator costs are for the service company, under a long-term contract which includes parts and labor at a fixed monthly rate, for most repairs and certain preventative maintenance work. Window costs include replacement of internal springs and glass panes. The panes' thermal insulation seal breaks on occasion, resulting in replacement of the panes.

The board sets aside \$10,000 each year for unanticipated items, roughly a 1% contingency.

In 1996, certain parts of the hallway on floors 6 and 3 were sold to shareholders. That is why the total shares of the co-op are now 17,222, instead of 17,202.

Addition To Reserve

The reserve is used to defray the costs of building component replacements. An engineer was hired (Richard Balsler) several years ago to help estimate the useful life and replacement costs of every component. His estimates were reviewed by another engineer (Fred Hannaham) and the board members. Based on these figures, which are not guaranteed, the building requires at least \$110,000 annually to avoid large repeated assessments required to replace major items. The total replacement costs were estimated to be at least \$1.5 million, with an average weighted useful life of 13.5 years. Had the building collected the \$110,000 annually every year since 1985, the assessment passed in late December might have been unnecessary.

The components include:

Bathtub caulking	Hallway carpeting
Boiler	Hallway painting
Domestic hot water tank	Light fixtures
Engineering fees	Major elevator parts not covered by service
Fire escape painting	Masonry painting
Garage and roof fans	Roof and terrace waterproofing
Garage ramp concrete work	Window frames
Gas hot water heater	Window sills