

Maxwell-Kates, Inc.

Established 1986

**DISTINGUISHED
PROPERTIES
RECENTLY
ADDED TO OUR
PORTFOLIO:**

- Concorde Condominium
220 East 65th Street
- Savoy Condominium
200 East 61st Street
- 755 West End Avenue
- 505 Greenwich Street
- The Grosvenor
22 West 15th Street
- 10 Holder Place
Forest Hills Gardens
- 260 Park Avenue South

COOP / CONDO ABATEMENTS

In 1996, the first Cooperative and Condominium Tax Abatement went into effect to address the fact that Cooperatives and Condominiums pay a higher tax rate than do owners of one- and two-family homes. The City and State's stated goal was to develop a more equitable and fair real estate tax system that would permanently address this disparity.

In 1999, 2001, 2004 and 2008, when the tax abatement was set to expire, new legislation was passed to

extend the program even though the fundamental issue of equity was not addressed. The current program which reduces real estate taxes for individual condominium unit owners and cooperatives by 17.5% expires June 30th, 2012.

Unless the program is extended prior to mid-June, when the City prepares the July 1st tax bills, the July bills that the city will mail out will not include the abatement credit which will result in real estate taxes increasing

dramatically, in the short term even if there is subsequent retroactive legislation to extend the program.

Assembly Bill A.10071 and Senate Bill S.7091 would extend the program for another four years through June 30th, 2016. In these difficult economic times, passage of the extender legislation will only occur if unit owners and shareholders urge their elected representatives to support these bills. We will keep you informed of any future developments.

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BULK ENERGY SOLUTION

Utility costs represent a major portion of each building's operating expenses and expose buildings to the greatest swings in expenses over which they have little control. Maxwell-Kates has partnered with Resolution Energy 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 certainty.

If your building purchases natural gas or electricity through this program, you will have the ability to lock-in the supply portion of your building's monthly utility bill for a specified period of time or use alternate suppliers to provide savings over Con Edison's rates without committing to a rate lock.

Available only to properties managed by Maxwell

-Kates, this program provides REG's expertise to extend current energy supply contracts by blending in future cost savings. MKI is committed to helping our clients conserve energy; reduce your building's carbon footprint and manage the cost of the energy used in the best way possible. If you would like additional information or an analysis of your utility expenses, please advise your MKI Account Executive.

MAXWELL-KATES, INC. MASTER INSURANCE POLICY

The insurance industry has excluded insurance coverage for almost all environmental risks in almost all property and general liability insurance policies it issues due to increasing and unpredictable claim histories unless the insured was willing to agree to limited coverage and high deductibles. The result was a high level of uninsured risk for property owners, including Cooperatives and Condominiums.

Maxwell-Kates, Inc. created a Master Environmental Insurance liability policy for the properties we manage

that combines a lower deductible and dramatically reduced premiums. MKI's master policy provides coverage for a number of environmental risks, including: fuel leaks from storage tanks or piping, hydraulic oil leaks from elevator wells, carbon monoxide or bacterial air released from faulty HVAC systems, contaminants from historical usage or neighboring properties (which is a significant risk), doctor office release of potentially harmful laboratory chemicals and medical

wastes and asbestos. Coverage is provided for first party clean-up expenses, as well as third party litigation expenses at limits of \$2,000,000 per claim per property, subject to a \$10,000 deductible.

Please speak with your Account Executive if your building is interested in this important new program, especially if you are upgrading your existing heating system.

HOME OWNERS INSURANCE

More and more of our cooperatives and condominiums are requiring new purchasers and existing owners to present proof of homeowner's insurance. The issue is that shareholders and unit owners often mistakenly assume that the building's insurance covers their units. In fact, the building's insurance generally covers the original condition of the Apartment and excludes fixtures, appliances, personnel property and other betterments and improvements that have been made to the Unit.

As a shareholder in a cooperative or unit owner in a condominium, we strongly suggest you make arrangements for home owners insurance without delay. Your policy should include provisions covering claims for both liability and property damage.

Proper insurance coverage protects you in the event of a leak or other incident that impacts your unit and your neighbors. For more specific information, contact your insurance broker.

CARBON MONOXIDE LAW UPDATE

Mayor Bloomberg signed Local Law 75-2011 in December 2011 extending NYC's 2004 Carbon Monoxide Alarm requirements. Units installed in 2004 may have exceeded their scheduled useful life and need to be replaced. The new law requires that the Units meet UL 2034 standards including an audible "end of life" signal to alert residents of an alarm's expiration. Carbon Monoxide is the leading cause of accidental poisoning deaths in America and the only safe way to detect this silent killer is with a properly functioning Carbon Monoxide alarm.

Please speak with your Account Executive for more information.



EPA ENERGY AUDITS

Local Law 87 of 2009 requires all buildings over 50,000 square feet to file an Energy Efficiency Report (EER) with the NYC Department of Buildings. The EER consists of an ASHRAE (American Society of Heating, Refrigerating & Air Conditioning Engineers) Level II energy audit and retro-commissioning study of base building systems.

Energy Efficiency Reports are due once every 10 years, with the first reports due in 2013, on a staggered schedule tied in to your building's real estate tax block number. Buildings whose tax block ends in the number "3" must file their EER and retro-commissioning study cannot be more than 4 years old when

filed.

The energy audit regulations are administratively onerous and expensive because they may only be performed by a licensed engineer who must prepare and file the EER. The audit will be used to identify and develop measures to improve the energy efficiency of building systems including: facades and roofs; electrical, hot water and HVAC systems. Once the audit and EER are complete, Building Performance Institute-certified vendors must be hired to perform the retro-commissioning work required by the energy audit that may include basic maintenance or repair measures.

Compliance with LL 87/09 is expected to result in significant costs that will become part of each building's Capital Expense Plan and will need to be integrated into the long-term budget and funding process.



ELEVATOR SAFETY

The recent tragic death of an employee in a Manhattan office building has re-focused our attention on elevator safety and what has changed. In 2009, New York City imposed new, more stringent and costly regulations and testing requirements on all elevators, escalators and other vertical transportation equipment in residential apartment buildings to bring the City up to national standards.

Some of the changes include: annual inspection and testing with one company doing the testing and a second company being the impartial and objective witness. The witnessing company can determine what has

to be done to ensure passenger safety. Every five years, an additional and more thorough test and witnessing is mandated.

After the inspection has been completed, each building has 45 days to file its Inspection Report with the Department of Buildings during which time any violations and deficiencies must be corrected. There is a 15-day grace period to file proof that the violations have been corrected. Considering the risks involved, the City increased its filing fees and penalties for non-compliance, which are \$3,000 per elevator and \$150/month until the device is compliant or until the

Proof of Correction has been filed.

In order to avoid fines and penalties, MKI Account Executives will work closely with the elevator companies to make sure that these deadlines are met, including filing the Inspection Reports and Proofs of Correction timely.



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NEW TECHNOLOGY AT MAXWELL-KATES, INC.

Maxwell-Kates' most recent technology initiative - Virtualization and Cloud Computing - harnesses these amazing technologies in a secure manner to guarantee your building's crucial records and data remain available and secure. We are using Virtualization to provide greater efficiencies within our data center and near real time failover in the case of a system outage. Our private Cloud Solution mirrors these virtual machines to an ultra-secure location boasting multiple power sources, Internet and computing redundancies to continue to provide the seamless information your management team relies on every day.

Our new Spreadsheet Server program allows our financial professionals and account executives to use current MRI data to provide flexible financial reporting within Excel. Maxwell-Kates' new system allows us to use real-time MRI data in Excel to perform quick and powerful financial analyses on individual properties and consolidations, drill down to source transactions, analyze trends, and create presentation-quality and ad hoc reports. We have the ability to download and send the raw data to the building's accountants and board members so they can perform their own analysis of the building's finances.

FUEL OIL # 6 CONVERSION

In April 2011, New York City promulgated Chapter 2 of Title 15 of the Rules of the City of New York (RCNY), requiring owners of nearly 10,000 buildings to phase-out the use of #6 and #4 heating oil in an effort to reduce the harmful emissions resulting from burning #6 and #4 heating oil. #6 oil will be phased out completely by June 30, 2015 and #4 oil by 2030. The change from #6 oil will be phased in when the building's current Triennial Certificate to Operate its boiler expires, so that by June 30, 2015, buildings will burn either #4 oil, #2 oil or natural gas.

Any Certificate to Operate for a boiler burning #6 oil expiring after June 20, 2012 will

not be renewed by the City and those buildings will have to change the grade of oil they burn immediately.

Our Account Executives are aware of the timing for each building; the conversion issues, including costs and availability of an adequately-sized natural gas line to your building and the need to develop a financially prudent plan to ensure compliance in a timely manner.

Please speak with your Account Executive for more information.

