



# MAXWELL-KATES, INC.

## REAL ESTATE PROPERTY MANAGEMENT

### Maxwell-Kates, Inc. Celebrates 30 Years in the Real Estate Property Management Industry

2016 marks the 30<sup>th</sup> Anniversary of Maxwell-Kates, Inc. and it is a good time to reflect on some of the changes in our industry, our company's history and accomplishments since 1986 and look to the future of our industry. The values we adopted and our mission have remained constant since Maxwell-Kates' formation in 1986 and have been a critical factor allowing us to grow and serve the changing cooperative and condominium community.

Our management philosophy intrinsically transcends to our colleagues through training and mentoring from generation to generation; our business practice guides our team to strive for excellence when managing your property. It is the foundation of how we operate.

Our success and impact in the real estate property management profession is due to our dedicated and committed colleagues who have always been and remain our most important asset; making Maxwell-Kates, Inc. what it is today.

To commemorate this special milestone, this special edition of our newsletter will highlight:

- Update on Tax Abatements and New Regulations with Department of Finance
- Advances in MRI financial reporting including changes such as how we pay our monthly fees: from checks 30 years ago to ACH to Paperless Billing Options recently added
- REG Energy Partnership Program / Costs Savings
- MKI Bulk Insurance Programs
- The Fair Chance Act (criminal background checks)
- Building Staff Monthly Operational Emails and Seminars
- New Recycling Laws
- MKI Recognition on NYC Clean Heat
- Cooling Tower – Legionnaires Disease and Regulatory Reaction

We have always taken an active part in technological changes designed to enhance our clients' experience including our newly designed website: [www.maxwellkates.com](http://www.maxwellkates.com). We welcome you to visit our site which will provide you with a comprehensive description of our firm and navigate you to pertinent information of programs such as online payment options and building transfer.

We are also very excited regarding our recent office expansion and continued transformation of our main headquarters to accommodate the new properties to our portfolio and personnel to the Maxwell-Kates, Inc. family.

Each of us at Maxwell-Kates, Inc. would like to thank all our clients, business partners and industrywide professionals we have worked with over the years for contributing to our success. We sincerely value these relationships and will maintain and expand on these partnerships as we move forward into the future of Residential Property Management.

Very truly yours,

Robert Freedman and Eugene DeGidio  
Principals

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*Established 1986*



# Cooperative & Condominium

## NYC Real Estate Taxes and Abatement Program

In New York City, real estate property taxes represented 42% of all city tax dollars collected in the fiscal year ending June 30<sup>th</sup>, 2015 and are projected to increase substantially this year and in the future. The reasons for this include increased assessed values set by the Department of Finance for all properties this past January as well as the phase-out of certain benefits that were previously available to individual shareholders and Condominium Unit Owners for whom their units are not their “primary residence”.

1. Real estate taxes for Class II Properties which includes all cooperatives and condominiums are determined using the following formula: The Assessed value of the Property minus exemptions times the current tax rate minus Abatements equals the Annual Property Taxes to be paid.
2. The DOF determines the market value of every building as if it was a rental building and what it could earn for an investor since there is no separate classification for Cooperatives and Condominium.
3. The assessed value is arbitrarily set at 45% of the market value.
4. The Transitional Value which is the average of the last five (5) years assessed value is calculated.
5. Exemptions such as STAR, Veterans, etc. are applied to reduce the Assessed or Transitional Value to create the Taxable Value.
6. The Taxable Value times the tax rate minus abatements results in the Property Tax Bill.

$[\$5,000,000 \text{ Assessed Value minus } \$200,000] = \$4,800,000$   
times tax rate (12.883%) = gross taxes of \$618,384 less  
[\$98,941 - Coop Abatement] or net taxes due of \$519,443

The Cooperative/Condominium Tax Abatement Program, in effect since the late 1990s, was designed to equalize real estate taxes between single family homes and Cooperatives and Condominiums by providing an Abatement (tax credit) of 17.5% of the taxes due. This can be as much as 28.1% credit depending upon the average assessed value of units in the building since more credits are provided to affordable housing. Under a change in the law, the benefit is generally available to Apartments where one of the owners of the unit maintains his or her primary residence as of the January 5<sup>th</sup> prior to the beginning of the City's tax year starting the following July 1<sup>st</sup>. Even if the Unit is sold or a change in occupancy, the status of the Unit as of January 5<sup>th</sup> governs for the following July 1<sup>st</sup> to June 30<sup>th</sup> tax year.

Apartments owned by Sponsors, individuals who own more than 3 units in the building, LLCs, corporations, partnerships and certain Trusts are not eligible for the Abatement.

In order to ensure that all eligible shareholders and unit owners receive the benefits, what has to happen varies between cooperatives and condominiums:

- Buildings that do not receive the Benefit: The managing agent files the initial Cooperative/Condominium Tax Abatement Application by March 2<sup>nd</sup> no later than the tax year in which the building's benefits (421-a, 421-g, J51, etc.) will expire.
- Cooperatives receiving the Abatement: The Department of Finance sends the Tax Benefit Letter in December of the current tax year to the managing agent indicating who is eligible to receive the abatements. This is updated each year by February 15<sup>th</sup> by the managing agent after the shareholders confirm that the Apartment is their Primary Residence or provide any other information that the DOF is missing.
- Condominiums receiving the Abatement: New Owners and existing owners who now qualify as their primary residence file the Homeowner Tax Benefit Application directly with the City. These forms are provided at Closing and only the Unit Owner can submit the form.
- Individual Cooperative and Condominium Owners: New owners, or owners whose eligibility status has changed so that they can receive the benefits should file the Homeowner Tax Benefits Application directly with the City by filing a separate form for each Apartment. This is the same form used to Apply for STAR, Veterans and other personal exemptions. This form can be filed throughout the year even after the March 15<sup>th</sup> deadline for the upcoming tax year commencing July 1<sup>st</sup>. Submissions after the deadline would become eligible for the following tax year.

The tax abatement program represents a way for eligible individuals to have their taxes reduced substantially. Management assists in the process by notifying Cooperative Shareholders when the DOF indicates that they are not eligible so that corrections can be made and assists Condominium Unit Owners by submitting the initial Building Application and by providing the forms for them to file individually thereafter.



## Maxwell-Kates, Inc.'s Master Insurance

The insurance industry has excluded insurance coverage for almost all environmental risks in most 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. offers 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 waste 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 program, especially if you are upgrading your existing heating system.

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**ALERT:** On April 4, 2016, Governor Cuomo signed legislation increasing minimum wage state wide and enacting a 12-week paid family leave policy which may affect a number of buildings starting in 2018. *This will be addressed in detail in the next Newsletter.*

## Local Law 87 – Energy Audit & Retro-Commissioning



As part of the City's Green Initiative, Local Law 87 Energy Audit et al. requires that buildings greater than 50,000 gross square feet undergo an energy audit every ten years as well as take affirmative steps to "tune up" the building's existing systems and ensure more energy efficient operation of the building. One of the purposes of LL#87 is to provide Boards and managers with insight into how much energy their building uses and various options to consider. The goal is to make buildings more efficient both voluntarily and by new Code Requirements.

The initial filing dates vary by building and our interactive database provides the managers and Boards with information as to when they have to do the initial filing.

The process is highly regulated starting with the energy audit performed by an "Energy Auditor"; filed the report with the Department of Buildings providing information about the audit and retro-fitting parts of the building for energy efficiency. The energy audit is a top to bottom review of the building including all of the building systems such as the exterior envelope; HVAC systems; distribution of utilities within the building; electrical and lighting systems, etc. The Audit identifies all reasonable measures and capital improvements that would result in energy use or cost reductions, the associated savings, cost of implementation, and simple payback period as recommendations.

Before the report can be filed, each Property arranges for work to be done and completes the retro-commissioning of certain areas of the building. In addition, the report must analyze operating protocols, cleaning and repairs, and training and documentation issues as well as indicate which deficiencies were corrected as part of the initial work.

The law has been in effect for several years and the first group of buildings filed their reports in 2013 with more buildings coming on line each year. One of the purposes of the legislation is to encourage energy efficiency and provide the City with data so that incentives and penalties for energy use can be implemented based upon facts.

Since 2011, the NYC Clean Heat Program has been working with Management Companies and Owners to comply with the changing heating oil regulations and encourage decisions that improve NYC Air Quality. Maxwell-Kates, Inc. has been recognized by the City for the efforts of its clients and its' efforts to switch to clean fuel alternatives. More than 75% of our portfolio currently uses clean alternatives to #4 oil with the City citing us and our clients for being in the top tier of management companies.

Energy is a significant portion of every building's operating budget. The new data provided by Local Law 87 allows management and the Board to discuss options and additional capital improvements which may support the environment and are fiscally prudent to undertake.

Complete details and further information can be found on the Local Law 87 information page of the NYC Department of Buildings website:  
<http://www.nyc.gov/html/gbee/html/plan/ll87.shtml>.

## The Fair Chance Act

Beginning on October 27, 2015, New York City employers with over 3 employees cannot inquire about or search publicly available sources about a job applicant's arrest or criminal conviction record until after they presented the applicant with a conditional offer of employment. Once conditionally hired, an employer could then review an applicant's criminal history and decide to not hire the individual, but only if the employer had complied with certain statutory procedures and protections. These protections include providing the applicant with a copy of the employer's analysis and explanation of the employer's decision to take an adverse employment action. As with most new legislation affecting our properties, there is increased liability imposed on employers. Therefore, our agents and payroll department have undergone training on this subject with MKI's General Counsel Michael Bogart.

## Recycling

All NYC residents are required to recycle. At your property there should be two separate recycling placement areas: one for mixed paper and one for metal, glass & plastic. As more and more properties go green we encourage residents to visit the city's website to download their brochure which details recycling procedures.

Many properties have elected to sign up for Re-Fashion NYC and E-cycle NYC. Through partnerships the City plans on recycling clothes to help those affected by homelessness and AIDS and recycling electronics to keep harmful materials out of the waste stream and environment. Maxwell-Kates, Inc. supports the City's effort to reduce waste and encourages participation in the programs. If you have any questions feel free to speak to your resident manager to get further information.

# Facade Inspection & Safety Program (FISP) Protecting the Public and Building Facades



FISP replaced Local Law 11/98, and is designed for the consistent and timely inspection and maintenance of building exteriors. This accomplishes two things: a consistent long-term plan to inspect building facades so that work can be planned and performed; and protect the public from unsafe and potentially hazardous conditions. Buildings that are 6 stories or higher must have a licensed professional inspect the building facade and appurtenances and file a technical report with the DOB every 5 years.

The 8<sup>th</sup> Cycle FISP builds upon the 7<sup>th</sup> Cycle Report: areas of the building designated as "Safe but needing repair" have to be completed and included in the 8<sup>th</sup> Cycle Submission. The 8<sup>th</sup> Cycle inspection can be combined with the progress inspection and required work from the 7<sup>th</sup> Cycle provided that the inspection is done no more than one (1) year before the date that the current hands-on inspection is required. The dates and time are critical to plan the job and make certain that all deadlines are met, something the Qualified Exterior Wall Inspector (QEWI) tracks with management support.

When this started more than 30 years ago, electronic filing was unheard of. Starting with the 8<sup>th</sup> Cycle, all reports have to be submitted digitally on a CD/DVD.

Details and further helpful hints are found on the Facade page of the NYC Department of Buildings website: <http://www1.nyc.gov/site/buildings/safety/facades.page> including new updates such as inspection of enclosed terraces and balconies.

The 8<sup>th</sup> cycle of the FISP program introduced a number of changes including:

1. Instead of all buildings filing at the same time, the work and filings based upon a Sub-cycle determined by the building's Block number. This spreads the work over a 5 year period creating a more rational system that reduces the strain of having the building inspected and work done.
2. The inspection must be performed and filed within the building's individual sub-cycle. Our computerized data base system tracks this and other critical compliance dates for our properties so that the Boards and managers can plan work in advance.
3. The Inspection must be performed by a Qualified Exterior Wall Inspector (QEWI), a licensed NY State professional engineers or registered architects and includes a hands-on inspection of at least one primary façade. Access is usually created using a suspended scaffold rig installed and manned by a rigging contractor. It is not always necessary to install Sidewalk Protection [a "sidewalk shed"] during the inspection but if there is any issue with facade, or if there is a planned probe into the facade, a sidewalk shed will be necessary.
4. The 8<sup>th</sup> Cycle includes the railing and guard inspection which were added after the 7<sup>th</sup> Cycle as a Special Report. This requires access to balconies and terraces, fire escapes, roofs, etc. to perform the necessary railing inspection and may involve structural testing.



# MKI Computer Networking Systems



Maxwell-Kates, Inc. has long recognized that one of the cornerstones to successful real estate management services is the ability to provide immediate access to reliable information and the ability to efficiently and timely disseminate it to our staff and clients. To deliver these premium level services, we continue to invest in the most up-to-date computer systems employing a hybrid networking system that utilizes both Cloud and On-Premises infrastructure. While our email system has resided "in the cloud" for some time now, we recently completed the migration of our accounting system, MRI, to the cloud. Having these two key data assets in the cloud gives us an enterprise level of accessibility, security and reliability.

As part of their professional development and providing current best practices to our clients, both the CFO and CIO of Maxwell-Kates, Inc. regularly attend MRI and other professional conferences and meetings to increase their ability for data manipulation and reporting. This

information is shared internally with the Account Executives, Financial Analysts and other staff members so that we can implement changes and enhancements that work. This on-going process enables us to produce reports and information that is correct, timely and useful for the needs of our clients.

Individual workstations in our offices are kept current with the most recent and secure operating systems and security patches are installed automatically. In addition, they have discrete antivirus and antimalware software that continually monitors for infection.

MKI's on premises computer systems with back-up systems provide highly reliable, integrated services coupled with comprehensive security mechanisms that connect mobile employees and on-site management offices to our cloud based and main office resources. These systems enable Maxwell-Kates, Inc. to minimize network interruptions to our staff and our clients with a complete business continuity solution.

## Operations: Building Staff Communications

Ever wonder if your management company "is proactive", has programs in place to ensure and manage proper operations of your properties? Maxwell-Kates has formulated, implemented and maintained operations schedules and plans to ensure effective and efficient operations.

Our team of experts, regularly send updated information electronically to our building staff members as well as meeting with them to provide valuable reminders and operational maintenance guidelines. The implementation of such practices ensures that from an operational standpoint our properties are managed proactively.

Our proactive approach at Maxwell Kates, Inc. to managing operations allows us to be ahead of the curve when it comes time to activate equipment into service and ensure reliability of equipment thereby decreasing downtime and improving quality of life for our residents. Through our operations planning we are prepared to meet all NYC and NY State requirements and provide up to date information ensuring staff is aware of any new regulations and how to deal with them.



## Resolution Energy Group

At Maxwell-Kates, we recognize that utility costs may represent a significant portion of each building's variable operating expenses and can result in significant changes to the budgeted expenses, either reducing costs when fuel prices decrease or increase costs when the opposite occurs. While market and other factors affect these costs, there are steps available to reduce risk and exposure.

Maxwell-Kates has partnered with Resolution Energy Group (REG) to combine our bulk purchasing power with their expertise to provide natural gas and electric pricing options to our clients as a way to hedge against spikes in energy costs, not to guarantee savings which usually occur but rather to create a degree of budgetary certainty. If your building currently participates in the program, you already have the ability to lock-in the supply portion of your buildings monthly utility bill for a specified period of time, facilitate energy aggregation options or alternate strategies including Fixed Oil contracts, Energy Curtailment Programs and Water Meter Analysis that can be personalized depending upon each building's unique energy profile. Our energy partner, REG, serves as the programs administrator to optimize your savings. REG is an industry leading energy advisory firm and recognized aggregators that actively manages one of the largest independent energy portfolios in the NY Metropolitan Area.

## Cooling Tower Regulations

Both New York City and the State of New York implemented stringent new regulations regulating cooling towers effective March 1, 2016 in response to the Legionella outbreak in the Bronx that killed 12 people last summer. These new regulations went into effect March 1, 2016 after an initial filing period in 2015. Local Law 77 required all cooling towers be initially registered with the Department of Buildings ("DOB") and Department of Health ("DOH") by September 17<sup>th</sup>, 2015 to create the data base for the City and State with annual registration thereafter.

In addition to registering the Cooling Tower, every Property Owner has to adopt a Cooling Tower Maintenance Program/Plan in place pursuant to the NYC Administrative Code §17-194.1. for each cooling tower system that they have no later than March 1, 2016, which includes (1) quarterly Legionella testing when the cooling tower is operating; (2) minimum cleaning no less than 2 times per year including maintaining full records and proof of compliance; and (3) annual certification to DOB that each cooling tower has been inspected, tested, cleaned and disinfected.

Maxwell-Kates, Inc. continues to work with water treatment professionals and each building to make certain that the cooling towers were registered; plans adopted; work done and records maintain to comply with the Code and protect the health of building residents.

