

The background of the magazine cover is a photograph of a tall, multi-story apartment building with many windows. Some windows have air conditioning units. In the foreground, there are trees with some autumn-colored leaves and a street with parked cars and a few moving vehicles. The sky is overcast.

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# A New Dawn at Turner Towers

**Replacing the plumbing is a major task. So is finding the money to do it.**

*By Bill Morris*

**WHEN IT OPENED ITS DOORS A FEW** years before the stock market crash of 1929, elegantly appointed Turner Towers was the third-largest apartment building in all the land. It soared 15 stories above Brooklyn's Eastern Parkway and gazed down on Grand Army Plaza, the Brooklyn Museum and Frederick Law Olmsted's majestic Prospect Park.



PHOTOS BY CAROL J. OTT

## A New Dawn at Turner Towers Continued

By 1980, [Turner Towers](#) was falling apart – “a wonderful, beautiful building that was about to become a slum,” in the words of Arthur Weinstein, the attorney who handled the tenant-sponsored conversion from rental property to co-op. One problem was years of neglected maintenance. Another was that its plumbing pipes – brass for hot water, galvanized steel for cold water – were corroded and chronically prone to leaks and clogging.

From day one, those pipes were a constant drain on the shareholders’ nerves and wallets. An engineer’s report in the late 1980s advised abandoning the “downfeed” system, in which gravity draws water down from a rooftop tank, and replacing it with an “upfeed” system, in which water is pumped upward from a tank in the basement. The engineer also suggested that all water lines should be replaced – a [staggering job](#) given the building’s 500 bathrooms and three dozen vertical water pipes that each feed four or five horizontal branch lines.

Staggering and, as far as most of the 186 shareholders were concerned, simply unaffordable. So, repairs continued

to get done piecemeal. Pipes continued to clog and leak. Money continued to swirl down the drain.

“Over the years it became apparent that doing it piecemeal was not cost-effective,” says Susan Cooke, an art curator who

moved into the building in 1989, and who has served on the board of directors for 15 years. She is now chair of its capital committee. “What finally led us to do a complete overhaul was simply the growing volume of major, major repair work. A couple of years ago, we were spending \$500,000 every year to do emergency repairs – but not getting the kind of value you’d like to get.”

As it began to become apparent that the building needed all new water pipes, the board had two things working in its favor. First, apart-

ment prices were rising sharply in the years leading up to the current recession, and the new shareholders who moved in were more able to afford costly improvements that simply had to be made; and second, the co-op had a flip tax – 25 percent of the net profit on every sale – which fed about \$500,000 into the reserve fund every year. In boom years, the number approached \$1 million.



## A New Dawn at Turner Towers **Continued**

Finally, about five years ago, talk turned into action. The board hired an engineer to do mechanical drawings of the building's water lines, since no drawings could be found. The engineer received a valuable assist from the building's super, Vitalij Zagvoiskyj, who one board member described as "a plumbing genius."

"He knows the building's pipes better than the engineers did," says Cooke. "He became an adviser to them. He's a very astute engineer, in a sense, with an enormous conceptual understanding of systems. We were fortunate to have an in-house person we trusted. And he worked well with our property manager, Bob Amato [of John B. Lovett & Associates]. They were our liaisons with outside professionals. They were looking out for our interests."

But action by the board created anxiety among certain shareholders. A vocal minority – some newcomers, some old-timers who remembered the tenant-sponsored conversion and the co-op's lean years – began speculating that the project was going to result in a 50 percent increase in monthly maintenance charges.

While rumors swirled, the board members were busy doing research and debating how to pay for the project.

Should they levy the first capital project assessment in the co-op's 30-year history? Would shareholders be willing – or able – to fork over \$85,000 apiece? Should they refinance the mortgage and get an expanded line of credit? How much of the flip tax should be devoted to the plumbing project?

Aaron Polak, an attorney who moved into the building in 1998 and is now board president, says the board also wrestled with a basic philosophical question: "Should everyone who lives in the building today be asked to bear the burden of fixing the plumbing for the next 70 years?"

Rather than lay these machinations out for the shareholders, the board developed a wait-and-see approach that Polak describes this way: "Let's wait till we know for sure what we're going to do and what it's going to cost before we tell shareholders, 'Yes, we're going to do it.'"

In retrospect, Cooke thinks that might have been a mistake. "The board had not been as communicative as we should have been," she says. "But, on the other hand, we didn't want to give out information if it wasn't solid. As a result, rumors started to fly – rumors, anxiety, and misinformation. We had some contentious shareholder meetings."

## A New Dawn at Turner Towers Continued

There were other problems. The original mechanical engineer quit, and the board parted ways with the construction manager who prepared the bid package. Several supers and property managers came and went before the board landed its current team of Zagvoiskyj and Amato. “No single aspect of this project has been easy or straightforward,” says Cooke.

In late 2006, the board had turned to mortgage broker Patrick Niland, president of First Funding of New York, to begin [exploring financing options](#) for a project that then carried an estimated price tag of \$15 million. Niland’s quest was complicated by the \$4.8 million outstanding on its first mortgage with National Cooperative Bank (NCB) that was to come due in 2013 – but the mortgage had a “lock-out” clause that prevented the board from refinancing the mortgage before September 1, 2010. After making major roof and elevator repairs and other capital improvements, the board still had \$3.2 million left on an \$8.8 million line of credit. The board had some money, but needed more. Where to get it?

In mortgage broker lingo, this deal had a lot of “hair” on it – that is, [complicating factors](#). Then, things got truly hairy.

“At the time, we started looking for a financing vehicle,” Niland recalls, “the market imploded. It kept going downhill. Since we couldn’t refinance the mortgage, the first approach was to try to get the co-op another line of credit on top of the one they already had. We explored scenario after scenario. We’re dealing with something that’s very complex and very expensive – and then the price started to go down, from \$15 million to \$14 million to \$12 million.”

Niland produced dozens of spreadsheets for the board, laying out the options and their ramifications in terms of cost, possible maintenance increases or assessments, or possible dips into the reserve fund.

As the process dragged on and the recession deepened, time actually started working in the co-op’s favor. After accepting a plumbing contractor’s \$9 million bid in 2009, the board decided to solicit new bids and wound up hiring RCI Plumbing of Staten Island for \$7.5 million – a handsome savings.

As the September 1, 2010 lifting of the “lockout” clause approached, NCB suddenly became much more willing to negotiate with Niland on the financing. To make matters even better for the board, the cost of the job kept tumbling



## A New Dawn at Turner Towers **Continued**

along with interest rates.

"It became a game of chicken," Niland says. "If we dragged our feet until September 1, we would have to pay a [prepayment penalty](#), but so what? We could refinance the mortgage. As we got close to September 1, interest rates took another nose dive, and NCB suddenly got more competitive with the two other banks we were negotiating with. I got pretty heavy pressure from the board to investigate options other than NCB."

For the board, the decision boiled down to a single question: how much of a maintenance increase would shareholders tolerate? To find the answer, the board put together a 40-page booklet that laid out what the project would accomplish, why it needed to be done, and an analysis of the financing options. The board then called three Q&A meetings with shareholders. "Those meetings were an opportunity for the board to listen," says Cooke, the capital committee chairwoman. "All of us on the board realized how important that is."

Finally, in late summer, the board reached a decision. It would sign a \$22 million mortgage with NCB that had a



**A VIEW FROM THE TOP:** Turner's across-the-street neighbor, the Brooklyn Museum.

10-year term with a 30-year amortization and a 4.63 percent interest rate. The loan comes with an additional \$4 million line of credit.

Polak, the board president, says two deciding factors were NCB's lower closing costs and the fact that NCB loans are exempt from the mortgage recording tax, which is 2.8 percent of the total loan package, a not inconsiderable sum. To pay for the loan, maintenance will be increased by approximately 17 percent sometime this fall – well below the 50 percent figure that was batted about years ago. About \$250,000 of flip tax income will go toward debt service every year. Construc-

tion will begin this fall and take about two years to complete.

"That [17 percent] came as a big relief to shareholders," says Cooke, "because they'd heard – not from the board – that maintenance was going up by 40 or 60 percent. There was very little response. I was astonished, frankly. But we had made the case and people were very understanding. That was a good feeling."

Cooke says the ordeal taught her something. "Information is very critical. You try to present it regularly so people don't feel they're being surprised. The other thing is that, if we had followed the original engineer's report in 1989, we would have saved a lot of money. You can't put off these major projects because they just get more expensive – not to mention the damage to the building and the drain of money to make those temporary repairs."

Polak says several involved parties deserve praise. "Our super and our property manager are the only reasons we were able to move this project forward. And Pat Niland's been amazing. He was tireless. He probably ran 150 spreadsheets."

For his part, Niland quips that instead of taking his usual fee on this job, he's thinking about charging by the spread-

sheet. Only one other mortgage has taken him longer to negotiate than this one. In a curious way, he says, that's a credit to the board.

"There are very few boards I've worked with who've been as diligent at looking at the financing," he says. "They're bright, and they did their homework. The result is that they got lower debt and greater flexibility, and they have a project that came in at about half of its original cost. This will be a feather in everyone's cap."

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148 Madison Avenue New York, NY 10016

TEL: 212-207-8118 FAX: 212-207-8976

**Martha Goupit • Managing Director**  
[mgoupit@caranproperties.com](mailto:mgoupit@caranproperties.com)