TAPPING THE TALENT POOL

How 865 UN Plaza Pulled Off a Logistical and Financial Coup

BY PAULA CHIN • PHOTOS BY MATT LICARI

TALENT TAPPERS: Managing agent Leonard Barish (standing) and board president Akhilesh Singh in the lobby of 865 UN Plaza.

When Leonard Barish became the managing agent at 865 UN Plaza in 2016, he spotted trouble right away. The red-brick facade of the 16-story prewar luxury condominium in the Turtle Bay neighborhood was in need of serious repair. “There had been a long history of poor maintenance, and major work was needed,” he says. “Frankly, it was a mess.”

Barish was dreading the project because the condo posed a vexing logistical problem: roughly half of the 87 unit-owners – a mix of United Nations employees, professionals, lawyers, and investors – live out of town or overseas, and reaching them was often impossible.

“I certainly didn’t know that was the situation going in,” says Barish, whose company, John B. Lovett & Associates, had taken over from the building’s sponsor, Samson Management. “When we first started sending bills out, we didn’t hear back from a lot of people, and they ended up owing six to eight months in common charges. I had to go through their representatives or the brokers who managed the apartments and constantly bombard them with emails. Finally, little by little, we got hold of people and got the money.”

Last fall, with a Local Law 11 report looming, the condo board, which had recently completed a $600,000 roof replacement, turned its attention to the deteriorating facade by hiring an architectural company to do an inspection. The results – and the estimated $1.5 million price tag for needed repairs – came as quite a surprise.

“Leonard had warned us in advance that Local Law 11 was going to be an issue,” says Dr. Akhilesh Singh, an ophthalmologist who joined the board in 2015. “We knew from the roof job that the parapets and pointing needed work, but not to that extent [recommended by the architect]. Our annual meeting was coming up in November, and we had to inform the unit-owners and prepare them for the shock.”

In the meantime, the board and management started focusing on how to fund the massive project. Lovett’s controller reached out directly to banks and was able to get a proposed seven-year construction loan for the full amount. Even so, the logistics were daunting. With so many owners living abroad, the odds of getting the two-thirds vote required to approve the deal looked slim. What’s more, the sponsor, who owned more than a dozen apartments, still held considerable sway.

NEEDS WORK: The brick facade (below) and parapet (right) were “a mess.”

To no one’s surprise, the count came up far short, with only 40 percent of unit-owners giving the go-ahead for the construction loan. That’s when the five-member board made a savvy move. “Instead of closing the meeting, we simply adjourned for a month,” says Barish. “That bought us more time to figure out a way to somehow get the loan down so we could get the votes.”

The cost of the facade repairs amounted to nearly $20,000 for each unit. Wiping out the condo’s $400,000 reserve fund wasn’t an acceptable option. Nor was imposing a punishing assessment, since unit-owners were already paying a 10 percent fee put in place in 2018 to bulk up the reserves depleted by the roof project.

The board set up a subcommittee and encouraged residents to join. “We’d already gotten unit-owners involved when we invited them to come with us when we met with contractors,” says Singh. “Transparency was very important, and we tried to open things up and get everyone’s input from the very beginning.”

A Three-Pronged Plan

Two committee members, both of whom work in finance, quickly brainstormed a three-pronged plan. The board would use its reserves to help finance the project, then replenish the fund through a two-year assessment – in effect, loaning owners 27 percent of the total project cost interest-free. For the remaining 73 percent of the needed funds, owners would have the option of paying 10 percent, 37 percent, or 100 percent of it up front. The balance would be financed by the loan. The more people paid on the front end, the less money the condo would have to borrow.

Unit-owners who front their full share will pay a $198 monthly assessment for the reserves for two years, while owners who choose the minimum 10 percent will pay that amount, plus an additional $173 a month for the loan for seven years. In addition, the current assessment for the roof repair would be suspended while the reserve loan is being repaid, offering unit-owners some financial relief. "It's a plan that accommodates people's different abilities to pay," says Barish. "It had something for everybody."

Unit-owners were sent notices outlining the plan and told that a second meeting would be held in December. This time, the board got the votes it needed to greenlight the loan – including some 10 percent by proxy – even without the sponsor's support. What remained to be seen, though, was just how much unit-owners would ante up. "When we told people they would be getting the specifics of the payment options later, we were also trying to take the temperature of the room," says Singh. "We figured a lot of them would be willing to pay their whole share up front in order to avoid the finance charges."

The board was right on the money. A detailed notice – drafted by the subcommittee's finance pros and vetted by Lovett's controller – was promptly sent out. It explained that unit-owners had six weeks to respond, that those who failed to respond would default to the 37 percent option, and that the money was due on March 1. As expected, most chose to pay everything up front. "And we got $600,000 total," says Barish, "which means we need just $500,000 for the loan." The condo board is now negotiating a loan from the National Cooperative Bank, and Barish expects the facade repairs, which are scheduled to begin soon, will be finished before the end of the year.

THE A TEAM: Barish and Singh in the courtyard

Kudos For All

Barish credits the board for being flexible and creative. "They could have said, 'Here's the plan; deal with it,'" he says. "But they were willing to compromise and come up with different scenarios."

Singh, in turn, credits the unit-owners who volunteered to serve on the subcommittee. "The idea to borrow from ourselves and pay it back quickly was brilliant, and it allowed us to avoid huge finance charges," he says. "The lesson we learned was to reach out to people for their advice. There's a huge talent pool in any building, and boards should tap it."

With so many unit-owners in absentia, this condo's success story is all the more impressive. "It's been a problem when anything needs to get agreed to, but Leonard persevered and got all the ducks in a row," says Tara Snow, a partner at Novitt, Sahr & Snow, the building's law firm. "He was able to get votes by contacting people through email and using a directed proxy ballot, since you can vote with a copy and don't need originals." Still, Snow suggests that boards have people fill out an informational sheet when they buy into a building, with multiple ways to contact them so it will always be possible to reach far-flung unit-owners.

"I've been doing this for 25 years, and communication and disseminating info is always the biggest challenge," says Barish, adding that BuildingLink, the online building management software, has been an invaluable tool. "Still, I had to pester [unit-owners] and spend an enormous amount of time making calls and looking through files to get their contact information. It took a lot of work, but you do what you have to do to get the job done." ■