

# EAST RIVER HOUSING CORPORATION



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## REPORT FROM THE BOARD MARCH 2021

The Board and Management were very happy to partner with our NORC to bring COVID vaccines right to Building 4 over a three-day period last month. Those who requested and were eligible to receive the vaccine will also receive their second dose within the next week. Besides Cooperators, we were glad that some of our home health care aides who take care of our seniors were also able to get vaccinated along with a number of our Maintenance staff. At the current time some of our home-bound seniors are receiving vaccinations right in their homes.

Our new mortgage closed in mid-February. As previously reported the \$40 million mortgage has an interest rate of 2.875%. Approximately \$5 million dollars from the proceeds will be used to fund the the City's new, more comprehensive Local Law 11 building facade mandates. These new expanded requirements were the result of a tragic incident where a woman was killed by falling building facade debris while walking in midtown. The Board felt that while this type of expense would normally need to be funded by our cooperators, during the Pandemic with our budget already being hurt by citywide falling apartment prices and total sales we could not in good conscience place an extra burden on our cooperators at this time for this very large expense.

In the fiscal year that began July 1, 2020 we have approved 23 purchases. Sale prices are running about 10 - 20% below pre-Pandemic levels. During the same period this year 54 subleases including renewals have been approved. If sold instead of sublet the clear majority of these sublets would result in a 5% flip-tax. It is financially advantageous to the Coop to instead receive these sublet revenues, as after 2 years the fees received substantially and continually exceed the flip-tax proceeds that eventually will in any event be obtained from a sale. The sublet apartments that would generate a 20% flip-tax would have a much longer break-even period. For that reason and to encourage these apartments to be considered for sale instead of sublet, the Board will be voting to increase the sublet fees beginning in the 3rd year of subletting to 125% of the base maintenance charge and rising to a maximum of 150% from the current 125% in the 5th year. This increase when adopted is expected to raise an additional \$120,000 in revenue for the Coop.

The flip-tax revenue adopted in this year's budget is running well under the projected number for this year. As noted above sales are below prior years as fewer people are currently interested in moving to the City. The approved flip-tax revenue estimate was a conservative number that was based on taking only the advertised open houses in the early months of the fiscal year, reducing the posted sale prices by a fair amount and factoring in

whether the apartment for sale was a first or second sale for flip tax purposes. No one could factor in the resurgence of the pandemic in the fall and winter months and the continued lack of buyer interest as purchasers seek homes in warmer and lower taxed states as remote working has continued. The Finance Committee and the Board have been meeting to address this shortfall.

When the bike rooms were first opened the demand was not what it is today and if space was available cooperators were allowed to obtain additional bike spots. 18 cooperators have more than 2 bike spots. While it was decided not to force these cooperators to give up these additional spots, the Board voted to increase the monthly fee for a third spot by \$10 and for the few with 4 spots by \$15. Hopefully, these spots will open up for other Cooperator's use. In the future a maximum of 2 bike spots will be allowed so we can accommodate as many cooperators as possible. Any person caught trying to illegally sublet their spot (as has been reported) will permanently lose their existing bike space.

We are happy to report that the police, fire, aesthetic and cooperator safety hazard posed by the inordinate amount of return packages being wantonly placed around our lobbies has been eliminated.

Our Management office is about to begin construction on a new more convenient office in Building 1. Once completed the substantial construction cost will pay for itself in a less than 2 years as we will no longer have any rental expense.

We recently have had 2 underground sewage leaks in Building 2 (repaired) and an ongoing one in Building 3. These underground repairs on almost 70 year old pipes will cost hundreds of thousands of dollars. The only upside is that wherever the pipes have been exposed we will replace the old large pipes with new ones that are expected to last many decades. Very possibly some of this unexpected but inevitable expense given the age of our buildings will be paid for in part by our new mortgage proceeds while part of it will have to be covered through our carrying charges.

The Board officers for the current term are:

Gary Altman- President

Ellen Gentilviso- Vice President

Michele Amar- Treasurer

Dov Goldman- Secretary

Even as vaccine rollouts are proceeding at a quickening and ever expanding pace, everyone, even those vaccinated, must still adhere to all in-place protocols while in public areas of our Cooperative.