

HILLMAN HOUSING CORPORATION



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PARKING GARAGE UPDATE

1. Parking spaces are now available for Hillman shareholders in the garage at 275 Delancey Street at a rate of \$225 per month (no tax). There is no waitlist until further notice. Call the Management office at 212-677-5858, send an email to contact@coopvillage.coop, or visit the office to sign up.
2. If you paid any sales tax to Area Garage, you can apply to the New York State Department of Taxation and Finance for a refund of tax paid in the prior two years. Pick up instructions from the Management office, and contact Area Garage at 212-929-9404 to obtain your billing records.
3. Avoid the wait: Area Garage will honor call-ahead requests to retrieve your car for no extra fee (tips are welcome, but not required). Call 212-228-9200 or text 646-760-5005 at least ten minutes in advance.
4. If you are one of the shareholders who was charged \$225 per month between 2016 and 2018, the Board is working to obtain a refund for you.

To receive the latest garage updates, please send an email to Dineen Casiano in the Management office at dcasiano@coopvillage.coop or call her at 212-677-5858.

RECENT DEVELOPMENTS

At the annual finance meeting held on March 4, 2019, shareholders raised concerns about the garage, noting decreases in net revenue since 2009 despite price increases for shareholder parking. The Board also learned separately of direct overcharges to some shareholder parkers. The Board formed a special Committee to address these and other issues and retained a consulting firm that specializes in parking facility management to provide expert guidance and advice. The Committee also conducted a thorough review of the lease and the history of rent payments from the garage operator.

One of the reasons for the reduced revenue is that in 2009 a term of the lease was revised so that Area Garage assumed responsibility for paying 100 percent of property tax due for the garage. Previously, it had only paid for increases above the base rate from the time the original lease was signed in 1997. The decrease in revenue on our financial statements between 2009 and 2010 was offset by a corresponding decrease in real estate tax (although net real estate tax still rose). Real estate taxes on the garage have risen 92.6 percent between fiscal years 2009/10 and 2018/19.

In December 2015, the Board elected to raise the shareholder parking space rent from \$175 to \$200 per month. In December 2018, the Board voted to increase the rate to \$225. It was then brought to the Board's attention that at least 40 shareholders who received parking spaces after 2016 were charged \$225 per month. The Committee is working to obtain refunds for all shareholders who were overcharged.

According to the lease, Hillman is entitled to 248 spaces for shareholders at a price determined by the Board.* The Committee determined that as of January 2019, fewer than 160 Hillman shareholders held spaces at the below-market rate. Since then, management has worked to offer parking spots to the remaining shareholders on the waitlist, adding approximately 40 shareholder parkers, and we are working to determine what remedy may be possible for the underprovision of parking spaces.

* In a letter to shareholder parkers dated December 12, 2018, we indicated that there were two types of Hillman parking spaces: one which are the Hillman resident spaces guaranteed by the lease agreement, and the other comprised of spaces that belong to Area Garage, which Area Garage, had at their discretion, offered back to Hillman. This statement was in error. There is only one type of Hillman parking space, and the rent on those spaces is set by the Hillman Board of directors.

The Board, aided by additional research by shareholders, discovered that a 2001 regulation exempted cooperative shareholders from paying sales tax on parking fees in a garage owned by the cooperative, including when the parking fees are collected by a third-party operator. Unfortunately, shareholder parkers were charged sales tax until March 2019, and this issue is currently being addressed with Area Garage. Any cooperators who were billed for taxes after March 2019 should contact the Management office immediately.

To date, the Board has had substantial correspondence and two productive in-person meetings with representatives of Area Garage. We have achieved four important outcomes already:

First, we have exhausted the parking waitlist, which means that parking spaces are readily available for cooperators on a first-come, first-served basis until further notice.

Second, we developed instructions for cooperators to apply for a refund of sales tax from the New York State tax division, and Area Garage has accommodated shareholder requests for billing records necessary to complete the application.

Third, Area Garage has assured us that call-ahead requests for car retrieval will be honored.

Lastly, Area Garage has offered to open its books to the Committee for inspection, so that the Board may fully evaluate Area Garage's claims that the lease has become unprofitable for them.

The Committee has identified other issues which it is currently working to resolve. Meetings continue with Area Garage and our advisers to resolve these issues. Discussions of this nature with commercial tenants are always sensitive, and are properly kept confidential until completed. We ask for your patience as we continue to work toward the best possible material outcome for Hillman and its shareholders. We will provide a shareholder update again when we reach a final resolution.

OTHER RESOLUTIONS

The Board believes that issues of this nature can and will be prevented with stricter internal controls, better adherence to process, and transparent communication with shareholders. We have instructed Cooperative Village, the property management of Hillman, to take the following immediate measures with regard to the garage:

1. Management now maintains the waitlist exclusively. Management will reconcile a list of shareholder parkers provided by the garage tenant with the most current shareholder rolls on a quarterly basis.
2. Management and the Board will provide shareholders with clear, consistent, and accurate information about the price and availability of shareholder parking.
3. Management will henceforth demonstrate to the Board that Area Garage is strictly fulfilling all of its obligations under the lease agreement. This includes a revised records-keeping process so that information will be more readily available for Board review.

CONCLUSION

More generally, the Board is working with our auditor to understand and improve all financial controls with the goal of being able to reconcile contracts and financial statements in a more accurate and timely manner.

We intend to apply these principles to all amenities and services in the cooperative, and we ask for your patience and support as we work toward that goal.

The Hillman Housing Corporation Board of Directors