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TRI-STAR MANAGEMENT JOURNAL

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Risky Sublets aka AirBNB



AirBnB is a popular website that allows tenants to rent out their apartments without the Landlord's permission. This service has created a number of unfortunate experiences between the landlords and their tenants. First, it is important to note that this not only violates lease agreements and the NYC Housing Code, but also provides a liability risk and subjects other tenants to disturbances. The Landlords on the other hand feel left out of the conversation of how their property should be operated which creates a feeling of mistrust and

resentment.

Fundamentally, apartments are not hotels; hence, they are not designed for short-term occupancy, especially in limited service buildings. Temporary, unauthorized occupants with no stake in the building and without even a contact number to call for a maintenance issue can result in safety hazards for the building and its occupants. In buildings we manage, we have seen this first hand. An example occurred in a building managed by Tri-Star this past month, where an out-of-control party

was thrown by AirBNB occupants causing damage to the property. This included a broken roof entrance, damage to fire escapes and a large amount of leftover debris — expensive, yet avoidable costs for the owner. In another apartment, the toilet overflowed and damaged the contents of the ground floor retail tenant below.

Tri-Star works closely with the superintendent to make sure any visible disturbance (Such as the one mentioned above) are investigated immediately. If a tenant is using AirBnb to rent his apartment we move swiftly to inform the tenant of his violation and enforce all the legal provisions of the lease as it pertains to the violation.

Managing Real Estate: A Transition to Hospitality

Many professionals working in real estate view the industry through a limited lens that only considers a sale or execution of a lease. They fail to consider the enormous task of managing the property long term. There are many facets of managing a property: the first and most important one is the need to provide excellent and effective customer service to all your tenants.

Frequent turnovers of apartments and prolonged vacancies do not benefit the landlord economically. Owners should consider employing their assets with a long term vision to yielding profits from their investment. For example, once an apartment undergoes a complete renovation the unit should be rented to one individual and/or family for several years. Frequent turnovers will diminish the revenue and profits because of the unavoidable expenses of turnover and lost income if an apartment should remain vacant for an extended period of time.

In order to ensure the retention of tenants, each owner and/or management company will have to engage its tenants with a style of customer service similar to the

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Gardens Inspire



Many New York City owners find that they possess unused space, yet are unsure of how it can best be utilized. Making improvements to your property can help to increase revenue, improve tenant retention and magnify property value. Upgrading overlooked and overgrown backyard gardens can be a promising utilization of space as they provide many benefits to the property. Most importantly, they add an extra amenity for tenants with exclusive use of the garden, higher revenue, and a boost to property's value. Even if other building residents don't have direct access to the upgraded garden, they still benefit from the enhanced greenery.

Higher Taxes Again

On June 26th, the City Council adopted the Mayor's budget and the Mayor announced that they balanced the budget without raising taxes. He said, that "there was not a tax increase as part of that budget—something we're proud of." That said, this is a false and inaccurate statement. While the city

decreased the tax rate they increased the assessed values of most properties. This means that the dollar amount on each tax bill increased and, according to the Real Estate Board of New York, the overall tax bills charged

were 7% higher than last year's. For a building with a \$100,000 tax bill, that's an additional \$7,000 to the City in 2015/16.

This tactic by the city allows them to make state-

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New Business

Recently Tri-Star Equities was hired to manage another premier mixed-use rental property on Madison Avenue on the Upper East Side. This long-term Owner was looking for a management company experienced with managing both high-end residential and retail tenants. Madison Avenue has always been listed as one of the most coveted retail streets in

the world.

One of the first challenges was to hire and train a new full-time building superintendent to work with the tenants and Owner in delivering high-quality service, much like a high-end boutique hotel. In addition, we are working with the Owner's engineers to upgrade and improve the building's infrastructure that provides valuable utilities. We look forward to being stewards for this property for many years in one of Manhattan's premier neighborhoods.

Managing Real Estate: A Transition to Hospitality

[Continued from page 1] hospitality industry. The old notion of ignoring tenants once they sign the lease is outdated just like the concept of an ill-tempered superintendent. This is achieved by

first conducting solid repairs and upgrades to units instead of band-aid cosmetic repairs. Secondly, once the tenants move in the managing agent/owner along with the superintendent should work tirelessly every day to make sure all the repairs and complaints are addressed quickly and professionally. This is achieved by allowing the tenant easy access to the superintendent and by giving the managing agent full authority to authorize spending for necessary repairs and upgrades.

The instinct of most managing agents and owners is to deny a tenant's request before receiving them. Tenants are the life line of every building, they supply the money that make the economics of the industry work. Owners should expect their tenants to tell stories of good service from their landlord, management agent, and superintendent rather than the negative stories about the lack of service and uncooperative/aggressive superintendent. Tenants are one of the building's main assets and they should be treated as such.



Turning Lemons Into Lemonade

In the past, we have filed many successful MCI increase applications for property owners, which help to defray the cost of building-wide improvements. In recent years, however, we have found it becoming more difficult to get approval for MCI increases for many improvements.

Many owners have already received orders from the Department of Environmental Protection (DEP) to install back-flow preventers in buildings. In fact, the Order from the Commissioner of the DEP directed Owners to install this device within 30 days or be faced with fines and penalties. In addition, failure to comply may result in the termination of the water supply to the building.. These expensive devices must be designed by an engineer and once installed will require annual inspections. Luckily, the DHCR has granted owners MCI increases for the cost of the back-flow preventers. This in effect, will help offset the capital expenditures of installations. One of the buildings we manage recently was granted an MCI increase for a backflow installation.

Higher Taxes Again

[Continued from page 1] ments like the one quoted above while still increasing the City's budget by billions of dollars. Higher property values are welcome, especially after the dip during the financial crisis. That said, such increases only benefit

Owners who looking to sell their properties while punishing the owners who want to retain and operated their buildings profitably. City officials should be more frank about what they are doing and saying.

Compliance

Property Managers have become inundated with the ever increasing regulations covering all facets of property management. Leasing has become more onerous, we now we have multiple riders that must be included in each lease packet (new and renewal), some of which are lead paint, windows guards, bedbugs, and recently one indicating if your building has sprinklers and when the last time they were serviced. Violations are also becoming frequent and frankly punitive, sanitary violations are becoming more obscure citing issues such as not sweeping sidewalk properly. This year we received a violation based on a tissue test. NYC inspectors can and did write a violation based on a tissue test.

The report cites that after "access into the apartment was gained by the tenant" the City found that "air pressure was not noted after a tissue test." The "tissue test" is a procedure where a tissue is merely held next to an airway, thus evaluating air pressure. Two important lessons can be learned from this case. Even minor issues like inconsistent airflow can result in large costs and tenants are able to complain and grant access to inspectors, meaning owners should take extra steps to abide by all City regulations.

Subject: NYC Is Growing

Owners should take note of the recent Census figures showing continued growth in New York City's population. According to US census data between April 1, 2010 and July 1, 2014 the

city population increased by 3.86%, a total of 315,943. The population now stands at about 8.5 million. If we continue on this trend with the same level of growth NYC will have an estimated 8.8 million residents by 2018 and over 9 million by 2020.

Even though the cost of city living has increased exponentially in the last decade, demand for housing has remained strong. New York's real estate market has proved to be a resilient one, yet again. This is primarily a result of the increasing

city population, availability of high level jobs, and the continually improving quality of life. What this means for owners is that, for the foreseeable future there will be a demand for city housing. That said, the owner in conjunction with management need to implement the best utilization of their property as discussed in the section entitled, "Managing Real Estate: A Transition to Hospitality"

See the recently published NPR article at this link: www.goo.gl/qd6nAC



Hammering noises in my pipes!?

Many people in NYC live in buildings 50 years or older which most likely means your building has a steam fired boiler. Heating season officially ended May 31st in NYC, but that doesn't mean your property management team isn't reflecting on the challenges of this recent

heating season. Complications associated with this older system can result in unpleasant banging noises, which can be disruptive to the quiet enjoyment of your apartment. In steam systems, the boiler turns water into steam and travels up the steam pipes into each radiator. The steam then turns back into water and starts flowing back to the boiler using the return lines. There, it is reheated and the process repeats. The most common problem is the banging noises emanating from the steam pipes. This is caused by water buildup (water not successfully returned to the boiler) colliding with the steam.

In it often difficult to pinpoint the cause of the problem since many of the pipes are located inside walls or in the basement. Some of the issues can be corrected more easily than others within a resident's space

aided by a handy building superintendent. For example, it is important that radiators are always either completely in the on or off position as a partial opening can cause water buildup. Another simple fix is to place a shim under the radiator, tipping it slightly toward the valve and allowing the condensed steam to drain back toward the boiler.

A qualified boiler service company advises us to look at several other possible sources of the problem. For example, if the steam pressure is set above two psi, the condensate can become blocked in the return line, causing too much water in the pipe. The lower the steam pressure, the less the pipes will knock. (there will also be energy savings by lowering the steam pressure). Finally, insulating the pipes properly in the building's basement, can help to minimize banging.