



TRI-STAR MANAGEMENT JOURNAL

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Cash Management

One of the most important aspects of Property Management is the need to regularly monitor a building's available funds. Cash Management is a critical, but sometimes an underappreciated function of your Property Management team. At Tri-Star, budgeting and cash management are the main responsibilities of our Contoller.

Our accounting team keeps track of monthly cash flow since revenues can fluctuate, depending on collections and vacancies. Also, expenses can vary widely depending on the season, including fuel costs in Winter and HVAC costs in Summer. For properties that don't pay monthly escrow payments, you need to be especially aware of upcoming real estate tax payments. In NYC, we



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calculate that many properties will pay in excess of 30 cents of every dollar of income to NYC Finance in quarterly or semi-annual real estate tax payments, so this is often the

largest single cost item.

The budget process is particularly helpful in the timing of planned capital improvements. Understanding a building's cash flow needs through-

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out the year and communicating regularly to owners, through monthly reporting and more frequent correspondence, when needed, is one of the most important functions of the property management company. It's what enables us to make timely vendor payments and regular distributions to our clients. ■

Landmark Delays

Tri-Star manages many buildings in Landmark Districts. It has become increasingly time consuming to get approvals before and during projects involving exterior work. The Landmarks Preservation Commission (LPC) has the authority to approve color samples for brick, grout and paint. In older brick and brownstone facades, the colors have faded and changed over time, which is challenging to match.

In one project of ours, a suitable brick match could not be found from traditional sources, and to avoid

further job delays, the job engineer recommended hiring an artisan to match the color of the original bricks in order to secure a quick approval from LPC, (which they did). The artisan had to hand paint over 100 bricks on the recently repaired façade to get LPC approval!

In another project, an LPC violation delayed the start of the commencement date (and therefore it postponed the rent collections as a part of the lease provisions) for a retail lease by six months while a team, consisting of the architect, property manager and contractor worked together to submit applications to LPC, respond to comments by LPC, pull permits, complete the work, [continued on page 3]

A Personal Touch to Client Services

The relationship between Property Managers and Clients has many discontents, often because managers do not actively try to foster a partnership with their clients. This could be because they are advised against it by industry veterans, or because they

lack the motivation, seeing this job as a temporary position on the road to greater things. Unfortunately, this means that some property managers say "yes" to everything the client asks for without offering the honest advice most landlords value. Eventually this creates a perfect environment for failure and ultimately, dissatisfied clients.

This problem largely stems from the perception of the job. Too many property managers see their position as temporary, just a pit stop on the way to a "sexier" [continued on page 2]

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A Personal Touch to Client Services



[continued from coverage] position” in real estate. This means that they never really try to build a lasting and effective system of customer service for their clients and tenants.

Tri-Star Equities works tirelessly to retain top Property Managers so they can deliver the dependable service each client deserves. The Property Manager is an important piece of the management puzzle, because he or she most

directly corresponds with the landlord on issues of maintenance. The Property Manager is the face of the company to the client, so that relationship is essential to a well-operating building.

Our mission is to foster a lasting partnership between the Property Manager and the Client in order to establish an effective management system tailored to the needs of your building. Every day, we work to make our clients’ build-

ings operate more efficiently, look their best, and turn a long-term profit. One size fits all doesn’t work in a market as diverse as New York real estate. At Tri-Star Equities, we understand that unique buildings and their owners require a personal approach to management. ■

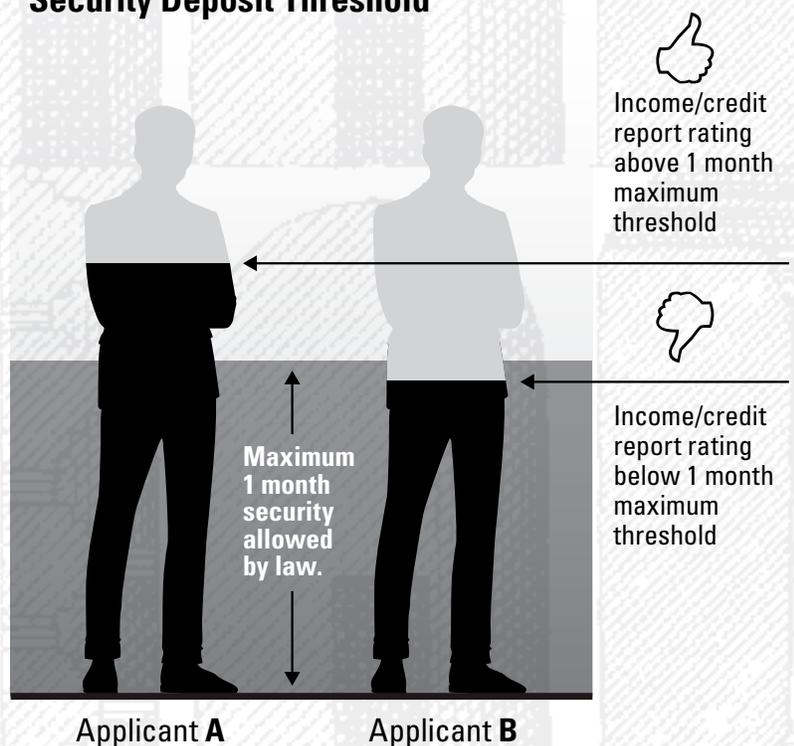
Security Deposits

Maintaining up to date and accurate security deposits for all residential tenants is an important and time-consuming task that’s necessary to comply with the lease provisions and protect the building owners from damages to their property.

For the majority of our managed rental properties, we generally required only one month’s security deposit, provided the tenant meets certain income and credit requirements. Where the applicant fell short, we would ask for more than one month’s security deposit as a concession to enable the tenant to qualify to lease an apartment

Now under the Housing Stability and Rent Protection Act of 2019, a sweeping overhaul of the Landlord/Tenant laws passed on June 14, 2019, Owners can only accept a security deposit, for all market and regulated apartments, equal to one month’s rent. This part of the new legislation will likely make it more difficult for overseas applicants with no U.S. credit and those applicants who don’t meet an Owner’s income and credit thresholds, from renting apartments in many buildings. Instead, Owners will likely wait it out for a better candidate than rent to an applicant that falls short of their requirements. ■

Security Deposit Threshold





LOCAL LAW

55

Local Law 55 of 2018 requires that Owners of multiple dwellings perform annual inspections of each dwelling unit and common area of a multiple dwelling for mold and other allergens. In 2019, Tri-Star responded to the new legislation by expanding the scope of our annual inspections for rental properties. In addition to inspecting for mold and allergens, we inspected for peeling paint, window guards, and child-proof stove knob covers for children under 6 years old.

We also replaced old smoke detectors with new smoke / carbon monoxide combination alarms with 10-year batteries. We noted apartment doors that were not self-closing (Local Law 111 of 2018) and other maintenance defects for follow up work orders with building staff. For Tri-Star managed properties, this broad building-wide inspection of every apartment will now be done on an annual basis.

This risk management inspection will reduce potential losses and preserve the owner's investment. ■

Landmark Delays

[continued from cover page] and apply to remove the LPC violations.

Delays and cost overruns on façade projects in Landmark Districts are all too common these days and these are no longer considered extreme examples. The existence of Landmarks violations can prevent a building owner from obtaining Building Department permits to start construction on your building. One way to mitigate the cost and delays is to try to enter into an escrow agreement with LPC for the estimated cost of the landmarked work, which provides them assurance that the approved work to correct the Notice of Violation will be completed within a specified time period. This should be reviewed and deployed, if possible, early in the process in order to spare the Owner unnecessary delays and costs. ■

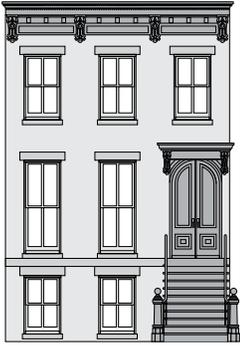
Risk Management



If you use a personal vehicle not registered to your business for business purposes, then you could have exposure to a liability claim. This can be anything from driving to a rental property to address a leaky roof or driving to Home Depot to pick up building supplies. This also applies if your building superintendent uses their own automobile to pick up building supplies and has an accident along the way. Commercial Auto Insurance or a Personal Auto Insurance policy will not cover any claims after an accident occurs.

Non-Owned and Hired Automobile Liability Insurance covers accidents that occur when either you or an employee gets into an accident with personally owned vehicles that are used for business purposes.

For this reason, it might be advisable for property management companies, building owners, and even commercial tenants to carry this additional coverage. At Tri-Star, we work with several experienced insurance brokers who can line up this coverage to reduce your liability risk. ■



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Mixed-Use Buildings

Many of the mixed-use buildings we manage have ground floor restaurant tenants. Your Property Manager should inspect periodically for safety compliance looking at exhaust systems and fire suppression systems to see if they've been serviced.

The NYC Building Code requires the installation of hoods and ducts to exhaust the fumes, and the Fire Code (in FC609) requires regular cleaning of the exhaust system to eliminate odors and the grease build-up that is a serious fire hazard and one of the biggest threats to a mixed use property. Currently, the Fire Code requires cleaning at least once every three months, or more frequently "as necessary."

Fire extinguishing systems for cooking equipment automatically release chemicals to put out a fire. When the fire extinguishing system is activated, gas and electricity to the cooking equipment will be shutdown. A Master Fire Suppression Contractor that is licensed by the Department of Buildings must service the fire extinguishing system at least once every six months to ensure the system is working. By maintaining these two systems with licensed companies and keeping good records, your restaurant tenant will make your building safer for all its occupants. ■

Project Management

In the past three years, our Property Managers have guided over 25 projects in the buildings we manage. They include landmark façade repairs, storefront renovations, new heating plants, new gas piping, roof replacements, sidewalk vault repairs, and elevator modernizations. Many involved landmark permits, tenant coordination, access and license agreements with neighboring property owners, and other complicated conditions.

Project Management has become a critical service that we offer to property owners in addition to our day-to-day Property Management duties.

Recognizing this, last year we formed a new subsidiary, TSE Management, to roll out this service. We enrolled our managers in courses on project and risk management. Also, we conducted bi-weekly meetings in our office where we focus exclusively on current projects, sharing best practices and working through challenging situations together as team. We also use this time to plan for next season's projects, lining up in advance the right team of professional architects, engineers, consultants, and contractors.

For information on TSE Management, contact Rod Feldman at R.Feldman@tristareq.com ■