



IN THE BAD OLD DAYS, the board of directors at the Forest Hills co-op, built in 1962 in the heart of leafy Forest Hills, Queens, was not known as a vigorous or visionary group. Fully half of the shareholders at this 120-unit, 13-story brick building were retirees, and board service was widely viewed as a burden. The management company had been in place for a decade, the super twice as long. “Change” was perceived as a four-letter word.

Then, about three years ago, the board began to turn over and the passive old way of doing business began to fade away. With younger blood, fresh ideas, and the energy to see them through, the board began to embrace the challenges - and the opportunities - that come with being proactive.

Today, the seven-member board at the Forest Hills is a textbook example of the varied ways a co-op can benefit from a proactive board. Those benefits are both fiscal and physical, beginning at the bottom line and extending, literally, from the basement to the roof.

“There was a different culture before we took over,” says Ray Ochs, 55, a professor at St. John’s University who was elected board president in 2005. “In the past two years, as the board continued to turn over, things started to change.”

Change, as Ochs discovered, was long overdue. “We started attending educational seminars run by the Council of New York Cooperatives & Condominiums (CNYC) and learned what managers are supposed to do and how to evaluate contractors,” Ochs says. “The most important thing we learned that first year was that the way we were conducting meetings was not the way to do it. The president didn’t even attend the annual meeting, and at monthly meetings the board was dwelling on minutiae while big issues were being ignored.”

Big issues like long-term financial planning, the competence and cost-efficiency of the professional staff, and a cohesive energy plan.

When oil prices spiked in 2005, alarm bells finally started ringing. “We started meeting a lot more frequently as financial problems arose,” says David Englander, 53, a corporate lawyer who grew up in Forest Hills, moved into the co-op in 1990, and served on the board for several years in the mid-’90s. He rejoined in 2005, along with Ochs, and is now its secretary.

An immediate result of those more frequent meetings was that the board imposed an energy surcharge of \$1.60 per share over six months to absorb the anticipated jump in energy bills. “It covered our energy costs,” Englander says of the surcharge, which was not wildly popular. “It also built up our operating account and put us back in a position where we could repay the money the previous board had borrowed from the reserve account [to pay bills]. It built a bit of a cushion.” There is now more than \$300,000 in the co-op’s reserve fund.

But that stroke of foresight was just the beginning. Fundamental changes were also under way. Scrutiny of bill-paying was tightened. A superfluous handyman position was eliminated. The co-op’s lawyer, its management company, and site manager were all replaced. A mid-year meeting was added to the annual board meeting, giving shareholders a chance to make suggestions and ask questions. And, perhaps most importantly, a finance committee was formed.

“I instituted the finance committee so that people would have input,” Ochs says. “We added a finance committee meeting every month in addition to the regular monthly board meeting. People made suggestions that actually got implemented, like making sure our reserve fund was only in safe investments and that we never had more than \$100,000 in

any bank, which is the [federal] limit for insurance. The other thing that happened was that it improved communication. It prevented people from making throwaway complaints, but it also encouraged people to join us. There are no secrets here.”

Perhaps the board’s boldest initiative was its approach to every co-op’s greatest looming challenge: how to handle spiraling energy costs.

“Although our boilers work, they’re more than 40 years old,” says Englander. “We recognize they’re approaching the end of their life. So we applied to NYSERDA [New York State

Energy Research and Development Authority] for an energy audit in the summer of 2006. We engaged a firm called Power Concepts, and they came back to us the following spring with a report on our energy usage and recommendations on some of the things that we should do.” The dozen suggestions included replacing the boilers and the rooftop cooling towers and installing a propane unit to generate electricity for common areas. This last measure, a potentially huge money-saver, would require a switch from direct metering to submetering. If the co-op could develop a plan that would reduce its energy consumption by 20 percent, it would be eligible for incentive payments and low-interest loans from NYSERDA. The total upfront price tag to the co-op was \$1.1 million.

“The pitch we made to shareholders,” says Englander, “was that we’re getting this low-cost money that we should be able to repay, through energy savings, without having to assess shareholders.”

At a critical meeting in April 2007, shareholders voted overwhelmingly to switch to sub-metering, which will have the added benefit of allowing the co-op to buy electricity at a bulk rate, which is lower than Con Ed’s residential rate. “That vote was the linchpin for the whole energy plan,” notes Englander. “In effect, it was a vote on whether or not to go ahead with the plan as a whole.”

“The board was proactive and diligent and clearly and concisely educated the shareholders about the benefits of the project,” says Geoffrey Mazel, a partner at Hankin, Handwerker & Mazel, the co-op’s attorney. “It was an extremely impressive display of board transparency and effectiveness.”

The board is now in negotiations with a bank to secure the \$1.1 million needed to implement the energy plan. Meanwhile, the board has commissioned an inspection of the building’s exterior - even though mandated Local Law 11 repairs will not fall due until 2011. “That’s a good example of proactive planning,” says board president Ochs. “The other way to do it is just wait. We know we have a few leaks, but the larger question is the status of the entire building.”

While such high-profile - and high-dollar - projects naturally draw a lot of attention, there have been far more modest initiatives that also illustrate the benefits of having a proactive board. For as far back as anyone can remember, the building’s 3,000-square-foot basement had been divided into bins where residents stored excess belongings, free of charge, on a first-come, first-served basis.

The board realized that the space was an amenity that could be turned into money, benefiting the entire co-op. And so it spent \$21,000 on new cages and started charging residents from \$20 to \$40 per month for storage, depending on the size of the space.

“The reaction was mixed,” says Ochs. “Some people complained, naturally, but others were happy because now they could get storage space.”

“We’ll recoup our investment within two-and-a-half years,” adds Dave Abrahmov, a 30-year-old investment analyst who has served on the board since 2005 and is now treasurer. “Being proactive all comes down to coming up with creative ways to improve the building and raise capital. It’s either that or go to the shareholders on a yearly basis for a maintenance increase or assessment.”

To Englander, communication is the key. “Once you tell people, ‘We’re doing what we can to avoid assessing you,’ not many people are going to fight you,” he says. “No one relishes the idea of assessing shareholders. If there are ways of avoiding that, we’re going to do it.”