

# **ST. JAMES TOWERS | MONDAY, MARCH 20, 2023**

DIRECTOR'S MEETING OF ST. JAMES TOWERS, INC.

The Meeting started at 6:30 Via GoToMeeting Video Conference Call

## **PART 1: MEETING WITH VIVEK PATEL**

**Directors Present:** Dr. Noreen Hosier, Mr. Patrick Stennett, Mr. Warren Harding, Mr. Ronald Roxey, Ms. Arlene Arrington, Ms. Nicole McKnight, Mr. Claudio Jordan, Ms. Yvonne Hilton, Mr. Rudy Moore

**Building Manager:** Nicole Duncan

**Invited Guest:** Vivek Patel, Owner, United Engineering

Mr. Patel introduced himself to the board, summarizing his engineering experience and long history of working on projects at St. James since 2006 when he worked at Rand. He expressed interest in working with St. James under his own company to conduct the FISP Cycle 9 DOB inspection. His goal is to file a Safe or SWARMP status, but that is contingent on the probe findings.

There are two main portions of the Cycle 9 project: 1) inspect balcony railings; 2) façade probing. Balcony railing inspection is done to ensure structural stability. There is also a maintenance component that involves scraping, priming and repainting the railings, but this is not required. However, Mr. Patel advised maintenance is good practice as it will increase the life expectancy of the railing steel.

Probing involves checking that the bricks connected to the backup wall are securely connected to the ties. This is a Department of Buildings requirement for buildings with a cavity wall construction such as St. James, and it needs to be done every five years, odd-numbered cycle. This is to ensure that there are no issues with brick panels failing. Erecting sidewalk shedding for this process is not required as the areas will be cordoned off and the flagmen will be on the ground. The only costs incurred would be for mobilizing the scaffolding, the permits associated with the scaffolding and flagmen.

Dr. Hosier asked Mr. Patel whether he was bound by a noncompete agreement since he formerly worked for Rand; Mr. Patel stated that his limitations are expiring in July 2023, which will have been one year since he resigned from Rand. In terms of a start date for the probing investigation, Mr. Patel advised to circle back on contractor pricing, obtain scaffolding permits from Department of Buildings (which takes approximately four weeks), and, if selected, Mr. Patel would be ready to start the project in July. However, he may be able to start sooner from a legal standpoint since he left his employment with Rand in good standing.

The meeting with Mr. Patel ended at 6:54.

## **PART 2: MIDYEAR MEETING WITH PROFESSIONALS**

**Directors Present:** Dr. Noreen Hosier, Mr. Patrick Stennett, Mr. Warren Harding, Mr. Ronald Roxey, Ms. Arlene Arrington, Ms. Nicole McKnight, Mr. Claudio Jordan, Ms. Yvonne Hilton, Mr. Rudy Moore

**Building Manager:** Nicole Duncan

**Invited Guests:**

Robert Mellina, Corporation Accountant  
Andrew Brucker, Corporation Attorney  
David Baron, Metro Management President  
Michael Luginsland, Metro Management Senior Financial Analyst  
The meeting with the professionals began at 7:06 PM.

Mr. Mellina summarized the midyear financial report, 7/1/22-12/31/22. Highlights were as follows:

- Operating loss was \$63,000, which was less than expected
- Maintenance increase was implemented Nov. 1<sup>st</sup> as approved by HPD
- Electricity and gas were \$93,000 higher than last year
- Gas heat was \$56,000 higher than last year
- Insurance increased by \$24,000 from last year
- Repairs and maintenance decreased by \$31,000 from last year

David Baron introduced Michael Luginsland, Financial Senior Analyst, and Dr. Hosier introduced Ronald Roxey as the newest board member along with the rest of the board and their respective offices.

Mr. Baron discussed his investigation of funding sources for St. James' capital projects, highlighting the following:

- He approached Meridian Capital Group brokerage firm, who had packaged a number of loans for other Mitchell-Lama developments.
- Not knowing how much money St. James wanted to borrow, Meridian developed several scenarios.
- HPD will not permit taking a loan that is not fully amortizing; St. James must repay the full amount that was borrowed.
- Financing depends on the amount needed to cover the IPNA (Integrated Physical Needs Assessment), engineering, contingency, and having extra money for future projects.
- Mr. Baron also recommended considering taking out a line of credit, allowing the corporation to borrow down on a preset amount of money.

Mr. Baron outlined some issues with loans, as follows:

- Interest rates, which can vary greatly depending on the lender, how they price the loan, and the term of the loan.
  - Self-liquidating loans (paying off all that was borrowed) come in various sizes in terms of the number of years of the loan
  - Shorter term loans such as 10 years are more aggressive in repayment
- How much of a loan can you afford/what are you willing to pay
- Need to get approval from HPD
- Need to complete a rent increase application
- Longer term loans result in lower monthly payments, but higher interest payment amounts

Debt service – Mr. Baron referred to a document prepared by Mr. Mellina that outlined the cost of loans (interest only vs. amortizing). Under both circumstances, the result would be a significant maintenance increase to the shareholders (20-35%).

Comparison between private and city loans – Mr. Baron discussed the differences between private and city loans (HDC).

- Private loans - when closing on a mortgage with a private lender, you're being funded at closing.
- City/HDC Loan - when closing on an HDC loan, you're drawing the money down monthly over a period of years. At some point there will be a conversion when the true amortization occurs unless part of it is forgivable. Some city loans come with a grant type of component, where you receive money without having to repay it, the payments will be deferred for 30-40 years or there will be a 1% interest loan. HDC loans are often at a higher interest, but there are opportunities for additional funding from HPD and the City Council.

When HPD and HDC were asked to meet and discuss a loan for St. James, HPD would not be able to start discussions until 2024, and HDC gave a November, 2023 timeframe. Mr. Brucker explained that the city operates on a fiscal year cycle which starts July 1; since the time is close to the end of the fiscal year, there is no money available to lend for the remaining months of the fiscal year. Mr. Brucker advised that St. James should work on getting loans from the city in anticipation of when money becomes available. and not be as concerned about timing.

Dr. Hosier expressed concern about forging ahead with securing a private loan that would result in a significant maintenance increase and should consider postponing it until the fall, hoping that HPD can provide money that will carry into 2024. Mr. Baron expects a closing by the first or second quarter of 2024, given the city's current timetable of working on loans.

There was additional discussion about St. James professional team advocating more for St. James, given its history of strong fiscal responsibility and good physical building maintenance. In particular, HPD's denial of the utility passthrough request places more of a burden on St. James' operations. Mr. Baron stated that he, Mr. Brucker, and Mr. Mellina will work together on getting HPD to reconsider the utility passthrough denial request and make the case for the need for the passthrough due to rising utility costs.

Since the Cycle 9 project is the most immediate with the deadline of 2/21/24, Dr. Hosier suggested St. James use capital reserve money (which is over \$600,000) to complete that job and see whether the corporation will have the time to do the repairs in the next five years. By that time, HPD/HDC should be able to provide funding. But for operations, St. James needs the utility passthrough to offset the energy cost increase.

Summary of action items:

- Board is authorizing Mr. Brucker to pick up discussions with HPD regarding the utility passthrough; Messrs. Baron and Mellina will provide the necessary information HPD needs that further supports the passthrough
- Mr. Brucker will pick up his discussion with HPD/HDC about getting St. James in the queue for a loan, closing sometime in fiscal year 2024, target timeframe of June
- The professionals will resend the IPNA to Carl Hicks at HPD.
- The board will continue discussions with an engineer for the probe investigations

The meeting with the professionals ended at 8:09 PM.

### **PART 3: BOARD OF DIRECTORS MEETING**

**Directors Present:** Dr. Noreen Hosier, Mr. Patrick Stennett, Mr. Warren Harding, Mr. Ronald Roxey, Ms. Arlene Arrington, Ms. Nicole McKnight, Mr. Claudio Jordan, Ms. Yvonne Hilton, Mr. Rudy Moore

**Building Manager:** Nicole Duncan

Discussion on the meeting with the professionals ensued. Dr. Hosier will follow up with Mr. Brucker regarding the \$175,000 payment due from Ryerson Towers for the parking lot repair.

Hercules laundry room contract – Mark Lubin from Hercules received the signed contract from his attorney. Anticipated addition to St. James' operating surplus is \$161,000.

BrightView – Ms. Duncan and Dr. Hosier met with Fitzroy from BrightView and walked through the property. A Quality Site Assessment document that detailed maintenance items and property enhancement recommendations was prepared by BrightView and distributed to the board. A summer flower comparison chart was reviewed by the board that itemized changes in the flowers from 2022 which reduce the price (\$7354.80 in 2023 vs. \$7,999.16 in 2022). Ms. Duncan and Dr. Hosier negotiated with Fitzroy for an agreeable price.

A motion was made by Yvonne Hilton to accept the enhancement proposal from Brightview for \$7354.80; Nicole McKnight seconded, and the vote was unanimous in the affirmative. The motion passed.

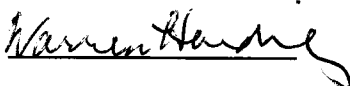
Basement Room Usage – Ms. Duncan, Dr. Hosier, and Akash the handyman walked through the rooms in the basement to see how they were being used. They also went into the Rainbow Room. The representative from Bargold will visit St. James on 3/21 to look at the rooms and prepare a proposal. Ms. Duncan videotaped and photographed the Rainbow Room, and a full discussion on the Rainbow Room use will follow.

Quarterly Meeting – a draft agenda for the quarterly meeting will be sent to the board for review.

A test call in preparation for the quarterly meeting will be held on 3/21 with Elect-U.S.

The meeting ended at 8:34 PM

Minutes prepared by Warren Harding, Secretary



4/1/2023

Signature

Date