REMINDER

ANNUAL MEETING

Tuesday, February 20, 2001
6:30-7:00 p.m. Registration
7:00 p.m., Annual Meeting

Broadmoor Cooperative
3601 Connecticut Ave, NW
Community Room
(Lobby Level)

PRESIDENT'S REMARKS

I think it is a great time to be a member of a community association and/or neighborhood association. Citizens and business leaders are again having faith in their municipal government and in their elected representatives.

General economic prosperity and improvement in municipal finances, however, create their own set of challenges for citizens and elected leaders.

Today, some of the most pressing issues for citizens involve the co-existence of citizens, businesses, and institutions within this small area that is the District of Columbia.

As the city and nation move further into the digital decade, the needs of the telecommunication industry and the needs and preferences of citizens are sometimes at cross purposes. Businesses want communications towers in parks or on prominent sites, and want fiber optic cable under city streets; the citizens have reservations about the placement of unsightly towers and want first rate streets. It is a sign of the times that, during the past year, the city has had a political problem involving streets, and neither snow nor ice were the cause.

A harmonious co-existence of academic campuses and residential neighborhoods is a challenge in many parts of the city. The urgency of these issues is not abating. Political leadership is needed to make sure participants in the debate can hear and recognize the views of the other side.

The business community took the lead during the past year on design proposals to reopen Pennsylvania Avenue. That is a promising event, and hopefully not in vain.

It is an exciting time for the city right now.

For decades "new construction" was synonymous with office development, but residential development is underway throughout the city. Even office developers are introducing residential projects to the city, including downtown Washington.

In this context, Cooperative Housing is doing well.
Our issues are not especially parochial. We are interested in the same things as owners of single-family homes. And as issues arise in the future, you can expect us to weigh in.

I would like to thank you all for your on-going participation in DC/CHC.

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**Hallway Land Grab**

The New York Times reported (December 7, 2000) that Manhattan owners of condominium and cooperative apartments were successfully negotiating with their Boards of Directors to purchase common areas such as hallway space, broom closets and unused laundry rooms. In most cases, these common areas abutted and were incorporated into a resident’s dwelling. Illustrative uses of such common areas include front halls, powder rooms, and walk-in closets.

In typical cases, the resident negotiates with the Board of Directors regarding a purchase price and agrees to a marginal increase in the monthly maintenance fee.

In one reported instance, a co-owner sued his Board of Directors, when his request to purchase common area was denied. The court ruled that, although the Board could not sell the 14 square feet at the end of a hallway, the Board could sign a “revocable license” that would grant use of the space to the unit owner. The flaw to this course of action, from the resident’s perspective, is that a later Board could revoke the license.

In a similar and seemingly more permanent alternative to the use of a revocable license to acquire common area, a New York Board of Directors granted a permanent easement to a 43-square-foot portion of hallway. The price was approximately $24,000 plus an additional $20.45 per month increase in the maintenance fee.

Needless to say, if a Board of Directors contemplates such matters in Washington, D.C., advice of legal counsel is prudent.

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**Speaking of Legal Counsel**

**WHO’S IN CHARGE HERE?!**

Finding the Right Management Services

By: Joe Douglass

Cooperatives have special management needs. Unfortunately, some cooperatives have trouble getting the management they need. Generally speaking, there are three ways to manage a cooperative:

* Self-Management -- That is: “We do it all by ourselves.”

* In-House Management -- A qualified professional manager on site, with support staff, handling all aspects of management for the cooperative.

* Contract Management -- Full or partial management services provided by an off-site management company, sometimes with a portion of the management services handled by on-site cooperative employees.

There is no universal “right” way to manage. One size does NOT fit all.
Management needs will be affected by:

* Size of the property -- Number of dwelling units and extent of facilities.

* Architectural configuration -- High-rise, Garden, Townhouse, Single Family (Yes, there are single-family-home coops.)

* Nature of community -- Do residents expect to be pampered with lots of services and amenities, or do they just want to be left alone?

Here are the pros and cons of different approaches to management:

A. Self-Management -- This approach is best suited to very small cooperatives. These properties may not be attractive (from a profit standpoint) to professional management companies and usually do not need, and cannot afford to hire, a full-time professional manager. In such cases, the officers and other residents of the cooperative may function as “managers” for the building. The advantage, obviously, is that volunteers don’t have to be paid. The disadvantage is that the quality of management will depend on the skill, organization and dedication of unpaid volunteers. The area of most concern is whether the person keeping the books and handling the money is sufficiently competent and trustworthy for the job. Some cooperatives address this concern by having an off-site management company provide financial management services only. This means that, whatever the quality of the cooperative’s volunteers, the money is being handled by bonded, insured professionals. Also, some small cooperatives have limited “consulting” arrangements with management companies, so that they can get professional advice and assistance on an as-needed basis.

B. In-House Management -- This approach is best suited to very large (or very well-heeled) cooperatives, since all management services are handled by paid in-house professional staff. The advantage is that you have the undivided attention of management personnel, and they do not have other properties to manage simultaneously. The first disadvantage is that the cooperative may be in trouble if a key employee leaves suddenly, or has an extended absence. A second disadvantage is that the management staff may become “isolated” from the rest of the management industry and may not be using the latest and best practices or may not be operating efficiently. Often, cooperatives will combine a strong in-house management operation with limited services (such as financial management, engineering oversight, etc.) provided by an off-site management company. Depending on the scope of the management contract, this provides some checks and balances, and also can provide some “depth” to the staff in the event of a departure or absence.

C. Contract Management -- This approach is best suited to cooperatives that do not have a major day-to-day, or hour-to-hour, need for on-site management operations. All management services are provided by a professional management company, and the property is
visited periodically by that company’s management personnel. As with the other management approaches, there can be a hybrid arrangement, whereby contract management is used in conjunction with some on-site staff directly employed by the cooperative. One advantage to contract management is that all functions are handled by professionals who, presumably, have access to the latest wisdom about management techniques. Another advantage is that the cooperative’s board and officers can hand off all day-to-day management chores, including such things as personnel management, to a full service company. The disadvantage is that the cooperative is one of several (or many) clients that the management company has to serve, and may have difficulty getting adequate attention to its needs.

A cooperative board should consider all of this in deciding on the level and scope of management services that will work best. The right solution for one cooperative will not necessarily work for another. Also, no matter which approach is chosen, successful management depends to a very great degree on the skills, “smarts,” resources and dedication of the people who do the managing.

In looking for professional management employees or professional management companies, a cooperative board should look for experience in, and a focus on, community association (cooperative, condominium, planned community) management. Cooperatives have their own special corporate and ownership issues, so a manager or company with actual cooperative experience may be especially valuable. A manager’s or company’s membership and activity in the Community Associations Institute (“CAI”), the National Association of

Housing Cooperatives (“NAHC”), or similar organizations, is a good starting point for considering specialized experience, expertise and professional commitment.

(Joe Douglass is a partner in the law firm of Whiteford, Taylor & Preston, LLP, and serves as counsel to DC/CHC, Inc.)

Our Cooperative Community
1300 Massachusetts Avenue, Inc.  
1661 Crescent Place, N.W., Inc.  
1725 T Street Cooperative  
1860 Clydesdale Associates  
1870 Wyoming Avenue, N.W.  
1901 Wyoming Avenue, N.W. Cooperative, Inc.  
2101 Connecticut Avenue Cooperative  
2370 Champlain Street, N.W.  
2500 Massachusetts Avenue Cooperative  
3001 Porter Street, N.W., Inc.  
3018 Porter Street, N.W., Inc.  
3020 Porter Street, N.W., Inc.  
3016 Tilden Street, N.W., Inc.  
3020 Tilden Street, N.W., Inc.  
3022 Porter Street, N.W., Inc.  
3024 Porter Street, N.W., Inc.  
3026 Porter Street, N.W., Inc.  
3028 Porter Street, N.W., Inc.  
3620 Connecticut Avenue Associates  
3900 Watson Place, N.W.  
5112 Connecticut Avenue Cooperative  
Avondale Cooperative  
Broadmoor Cooperative  
Cathedral Avenue Cooperative  
Chesterfield Cooperative  
Copley Plaza Cooperative  
Harbour Square Owners  
Lambert Owners Inc.  
Madison Terrace Cooperative  
Mendota Apartments  
Meridian Hill Apartments, Inc.  
Naylor Gardens  
Presidential Owners, Inc.  
River Park Mutual Homes, Inc.  
Shoreham West Cooperative  
Tilden Gardens Cooperative Housing Association  
Watergate South, Inc.  
Westchester Cooperative  
Westmoreland Cooperative

DC/CHC, Inc., representing the interests of over 7,000 cooperative households in Washington, DC, since 1984.