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YOUR HOME

How to Hire A Managing Agent

By JAY ROMANO

FOR co-op boards in the market for a managing agent, making the right choice is a bit like buying new shoes — you can't be sure of the fit until you've worn them.

Still, preliminary work can make a good fit more likely. Here, then, are some tips designed to take the guesswork out of picking a surrogate parent for your building.

"You have to do your homework," said Eric Gonchar, a Manhattan lawyer who is on the board of a 275-unit co-op on West 79th Street.

Mr. Gonchar said that his building recently decided to switch managing agents and invited several concerns to pitch their wares. There was no shortage of takers. "If we wanted, we could have had every managing agent in New York knocking at the door," he said.

Mindy Eisenberg, a Manhattan accountant who conducts seminars on managing agents for the Council of New York Cooperatives, said that in recent years the management industry has changed as mergers and acquisitions among established firms have allowed smaller, newer firms to flood the market with promises of personalized services at premium rates. Accordingly, she said, boards can now be more discriminating when prospecting for an agent.

"You should always get sample copies of the monthly report that the managing agent sends out," Ms. Eisenberg said, explaining that most companies will provide such copies with the client's name deleted. The report should include a copy of every bill paid, a monthly checking account reconciliation, a copy of all bank statements in the control of the management company, a collection report for maintenance charges, a list of shareholders in arrears, a disbursements report and a comprehensive report tying the others together.

Then, for good measure, board members might want to visit the managing agent's office. "We've found some agents who don't even *have* a real office," Ms. Eisenberg said. "We've found others that are totally chaotic. And that may be indicative of how they are going to handle your building."

It would also be wise, she said, to determine whether the company has ever come under the scrutiny of law enforcement officials.

Errol Brett, a Manhattan co-op lawyer, takes that advice and puts it in writing.

"I require a representation in the contract that none of the principals or agents have been subject to indictment or investigation," he said, explaining that ripples resulting from fraud indictments against several management firms in the last few years are still being felt in the industry.

Mark B. Shernicoff, a Manhattan accountant, said that boards should be cautious when a principal of an agency promises to handle the account personally. "It's not impossible," he said, "but frequently they have difficulty fulfilling their promise."

Boards are better served, he said, when an experienced agent is assigned to their account. And even then, Mr. Shernicoff said, it is critical for the board to meet and interview the agent.

"Personality is going to be very important," he said. "All the glossy brochures in the world won't make up for a personality clash between the agent and the board."

Frederick J. Rudd, president of Eichner Rudd Management Associates, a Manhattan management company, said that it often pays for a board to find out how busy the agent assigned to their building will be.

Generally, he said, individual agents are pushing their limit if they're handling more than 2,000 units. In addition, Mr. Rudd said, boards should not assume that every management company offers the same standard services. Caution should be exercised, he said, when dealing with companies that offer per-unit rates that appear significantly lower than competitors.

"They might say they're only charging you $300 a unit per year," Mr. Rudd said. "But when you add in all the extra charges, you're really paying $450 a unit." Some management companies, for example, charge a full closing fee — up to $450 — to change a shareholder's stock certificate when one shareholder dies. Others, Mr. Rudd said, charge higher-than-average fees for rentals, sublets or leasing of retail space.

Nearly every expert mentioned strong back-office support as a significant asset. "The more diverse a management firm becomes, the more the individual agents are going to be able to cater to individual clients," said Philip Miller, a Manhattan accountant.

Jeffrey M. Heidings, president of Siren Management Corporation in Manhattan, said that to "separate the egg from the yolk," boards should look for companies that go beyond being bookkeepers and superintendents to those that offer cost-control and asset-management services.

"There's nothing in the standard management contract that says a manager has to look for ways to save a client money," Mr. Heidings said. "But the management company should know enough to say to a board, 'Hey, if we spend a few dollars more on this project it will qualify for capital improvement or J-51 benefits,'" he said, referring to tax-saving benefits available for certain improvements.

Michael Alan Dym, a Manhattan co-op lawyer, added that since there was no specific license for managing agents (they must only be licensed real estate brokers) it is essential to insure that the company is bonded and has errors and omission coverage. Bonding, he explained, protects against theft and other intentional acts while errors and omission coverage will protect a co-op for damages caused by the negligence of the managing agent.

Richard Barry, treasurer of the Association of Cooperative and Condominium Managers, a trade association based in Manhattan, said that management companies should also be able to provide clients with a written code of ethics, a policy for dealing with vendors and accepting bids, and written disclosure of any potential conflicts of interest among management employees, board members and vendors.

Moreover, he said, boards should insure that their management company maintains separate accounts for every co-op or condominium it represents, and that the board has access to its own funds at all times.

And finally, as honesty is a critical attribute for all concerned, boards should be as up-front with prospective managers as they would want the managers to be with them.

"You have to be honest about any problems in your building," said Mr. Gonchar, the lawyer whose co-op recently changed management companies. "If you don't tell the managing agent the whole story up front, you're only going to end up stepping on your own foot." ■