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**ESPLANADE GARDENS, INC., ANNUAL REPORT -**  
**10/21/2023**

**Good Afternoon Board of Directors, Prestige Management Team, Professionals, Elected Officials, Corporate Council, Invited Guests and Shareholders. My name is Horace Henry, the Executive Vice President of Prestige Management. It is my pleasure to address you on behalf of Prestige Management Incorporated and present to you the Annual Report.**

**Overview**

Prestige Management Inc. began management of Esplanade Gardens in April, 2023. Upon our arrival, we were met with a barrage of issues and complaints that impeded the daily operations. I have highlighted a few below:

- **The management office was temporarily relocated in a 3 bedroom apartment. This was supposed to be for a minimum of 7 months but lasted 2 and a half years.**
- **The maintenance and management departments were placed in the same location**
- **Shareholder files, contracts and historical information were located in another building**
- **The office was in total disarray**
- **Office areas had an abundance of paperwork and no filing system**
- **Documents that were submitted by shareholders were all over the place**
- **Waiting list discrepancies**
- **Over 50 apartments that were missing radiators**
- **At least 10 toilet flange replacements per month**
- **Numerous lead bend, shower-body and expansion joint replacement since April**
- **Many repairs completed by the maintenance department that were allegedly caused by capital improvement (financially beneficial to the housing company due to lack of payments to vendors and contractors)**

Within the next couple of months, Prestige was tasked with relocating back to the original management office in building 2. During the final stages of renovation, apparently, the office was reconfigured and lost some space, so we had to try and

# DRAFT

reorganize and establish a new working system. We are still working at creating and streamlining administrative protocols to make day to day operations more seamless.

## Financials

Upon our initial review and assessment of the fiscal status of the development, we became immediately aware of the following findings:

- 1: Shareholder Arrears (in excess of \$7,400,000)
- 2: Vendor Payables (in excess of \$7,000,000)
- 3: Capital Improvement Project shortfall of approximately **\$5,102,287.53** - violations of approximately \$1,000,000.
- 4. Vacant Apartments (approximately 101 vacant units).
- 5. Operating Budget Deficit (September)

Esplanade’s Board of Directors directed Prestige Management to do the following:

- a. Submit a detailed 90 days assessment report on the physical and financial conditions at Esplanade Gardens.
- b. Review each of the above 5 conditions and provide a plan of action to address same.

## Current Challenges:

Based on the numerous violations, vendors and contractors placing liens or threatening to place liens on the development, Prestige Management began to draft a business recovery plan.

**This annual report summarizes some of our findings.**

## Schedule 1

<b>Category</b>	<b>Prestige Financials (10/30/18)</b>	<b>Metro Financials (4/1/23)</b>	<b>Current Financials (9/31/23)</b>
<b>Arrears</b>	\$ 1,045,446.48	\$ 7,417,238.74	\$ 7,500,326.53
<b>Accounts Payable</b>	\$ 1,412,868.83	\$ 2,016,699.12 **	\$ 7,155,736.97

**DRAFT**

<b>Vacant Apartment</b>	38	101	104 ***
<b>Monthly Vacancy Loss</b>	\$ 35,568.00	\$ 94,536.00	\$ 91,684.62

\*\* At the end of March 2023, Metro Management reported Accounts Payable of \$2,016,699.12 (see schedule 1 above). During the months of April, May, June and July, Prestige Management received a significant amount of invoices dated prior to April which were not presented to Prestige Management at the time of transition. Since these invoices were entered in the months of April, May, Jun and July, the true payables as of March 2023 on the basis of invoice dates, was well over 7 million dollars.

The Covid 19 pandemic and resulting state and city policies, including suspension of scheduled carrying charge increases, suspension of charging of late fees, and closure of housing courts, along with financial stress on shareholders, caused Esplanade to incur arrears over 7 million dollars thus creating operating deficits during the years 2020, 2021 and 2022. Esplanade Gardens therefore requires immediate remedial measures to achieve financial viability.

**CAPITAL PROJECT:**

The Capital Improvement Project (“CIP”) is nearing substantial completion (by year end, 2023). The cost of the CIP, as approved by HDC, with AM&G (contractor), stands at \$129,948,032.99, of which \$120,811,976.24 was paid by HDC. AM&G is currently owed \$9,137,056.75 in funds for completion of work - including retainage, in addition to another \$3,267,139.69 in change orders. HDC currently holds \$7,301,908.91 which is the remaining part of the construction loan pending conversion to permanent loan. Exhibit 3 below illustrates the shortfall of \$5,102,287.53 needed to close out the Capital Project

**Exhibit 3**

**AM&G Waterproofing  
LLC**

Contract sum plus approved change order	129,949,032.99
Less amount paid by HDC	(120,811,976.24)
<b>Balance Owing including Retainage</b>	<b><u>9,137,056.75</u></b>

**Source of Payment - HDC)**

**DRAFT**

HDC Capital Improvement Budget	214,893,883.00
Amount Paid out	<u>(207,591,974.09)</u>
<b>Amount Retained by HDC to pay out</b>	<b><u>7,301,908.91</u></b>
<b>Shortfall</b>	<b>1,835,147.84</b>
Change Order awaiting Approval	<u>3,267,139.69</u>
<b>Total Shortfall</b>	<b><u>5,102,287.53</u></b>

We have received and continue numerous complaints from residents about the capital improvement projects, including:

- Floods from the need of expansion joints replacement and flange installations.
- Incomplete plumbing jobs.
- Window and terrace door screen replacement.

**Payroll and Union Benefits**

After careful review of our records and the collective Bargaining agreement with the Union (Local 32BJ’s), it was noted that the agreed upon contracted number of maintenance employees for Esplanade Garden Inc. should be Fifty Six (56) employees. As of April 1<sup>st</sup> 2023, the employee count was Sixty Nine (69). The Corporation was overstaffed by thirteen (13) maintenance staff which has further strained the operating budget.

Annually the cost for the excess staff is;

<b>Salary</b>	<b>665,204.80</b>
<b>Benefits</b>	<b><u>314,943.59</u></b>
<b>Total Excess</b>	<b><u>\$980,148.39</u></b>

We understand that the corporation saw the need for an increase in man power to somewhat maintain a sense of normalcy for the shareholders during the Capital Improvement Work. However, there is a proper way of doing it, which would be to enter into an agreement with the union, for temporary employment that would last the duration of the project.

# DRAFT

Management met with both the 32 BJ Union Delegate and then followed up with the Realty Advisory Board (RAB). It was determined that we could not simply reduce the staff to that of the agreement but needed to now provide proof/support for a staff reduction.

Management has assessed the current need and has determined that a maximum of four additional employees can be facilitated temporarily to reduce the vacancies and complete some much needed work in apartments and other common areas.

**Our current recommendation therefore, is for a temporary increase in man power to a maximum of 61 employees instead of the current amount of 69.**

Esplanade Gardens currently operates at a monthly cash shortfall of \$110,118 or annually \$1,321,416. Based on data covering the months of January to April, the collection rate ranged between 84 and 88 percent. For the month of July, the collection rate was 86% and for the month of August it was 89%. In order for Esplanade to operate viably we have to achieve a collection rate of at least between 90 to 96 percent. Therefore, the shareholders need to play their part by paying their maintenance timely.

## **Accomplishments**

**Prestige has accomplished the following tasks since our take over in April:**

Completion of the 2022 Income Affidavit submission

Completion of the 2019 Income Verification Audit

Completion of the 2020 Income Verification Audit

Began processing the 2021 Income Verification Audit

Relocation of the Management and Maintenance Offices

Began the parking registration renewal process

Completion of the data entry for the Key fob and remote distribution on Friday October 20<sup>th</sup>, 2023

Reduce the arrears by aggressively working with the L&T attorneys

Re-establishing a website for informational purposes

Re-establishing relationships with vendors and contractors to provide service and products/materials

Reviewing contracts and agreements with the Board

**Addressed and resolved multiple repair issues in shareholder apartments**

**Creation of Financial Recovery Plan to:**

- Convert 101 vacant apartments to sold occupied units in 12 months

## DRAFT

- Maintain a 97% collection rate
- Reduction of operating expenses
- Cover capital improvement shortfall with additional funding from HDC.
- Funding would also allow us to pay down on outstanding payables.
- Balance the budget
- Workout payment agreement with vendors to prevent liens.
- Employee reduction plan to save over \$ 980,000 annually.

### **Noteworthy:**

- **A meeting was held with HDC and HPD to review the proposed financial recovery plan. A request was made to:**
- **defer the mortgage interest payments for November and December while the plan is being reviewed.**
- **This will free significant cash flow and enable management to pay many aged payables.**

Prestige Management remains committed to serving Esplanade Garden's Board and its Shareholders to the best of our abilities, while we work together to bring back Esplanade Garden to a viable operating cooperative.