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Loud & Clear

Improving Communication Improves Community Relations
By Lisa Iannucci

It's a truism that's been phrased many ways by many wise people:

“A lack of transparency results in distrust and a deep sense of insecurity.”

That's the case in any number of situations, but it's especially applicable to the administration of a condo, HOA, or co-op community.



Lack of clear, forthright communication between boards, managers and unit owners is one of the top perennial

complaints association members have about living in their communities, whether they're small, self-managed buildings or sprawling suburban developments. As far as residents are concerned, being transparent means having a board that's open and honest, not secretive.

Crystal Clear

While some states (like Florida, for example) require residential associations to be transparent with their owners regarding the community's operations, New York has no such laws. “If you read the bylaws and the business corporation law, there is surprisingly little legal obligation to disclose to shareholders,” says attorney Geoffrey Mazel, a partner at the law firm of Hankin & Mazel, PLLC, with offices in Manhattan and Long Island. “There is a requirement of the board to submit financial statements and minutes of annual meetings, but there isn't an obligation in terms of transparency.”

That being said, Mazel adds that in his 30 years of experience, it helps when boards are transparent. “It eliminates suspicion and questions and talking behind people's backs,” he says. “But certain things don't get disclosed until it's the appropriate time. For example, if the board is thinking of redoing the

lobby in a 250-unit building, it's up to the board to make the decision first and then invite some shareholder participation.”

When it comes to management companies, Michael Jay Wolfe, president of Midboro Management in Manhattan says that a management company is legally obligated to be transparent “to the maximum extent reasonably possible.”

“A management company’s legal obligations to a board are spelled out in its management agreement,” Wolfe continues, “and include full financial report disclosures, as well as full disclosure of competitive bidding, any fees it charges for or receives (directly or indirectly), regular updates to the board on work that is ongoing, and any topics discussed and decisions made at board meetings or by email votes.”

In the absence of transparency, mistrust tends to flourish, say the professionals. “Poor communication can lead to suspicion, doubt and rumors, especially when cases of impropriety have been reported in media and have resulted in indictments and/or convictions by the city District Attorney’s office,” says Wolfe. “A transparent board and management benefit from their 'nothing to hide' approach to property management and avoid creating an atmosphere of mistrust and concern within their property.”

Many board members do not wish to share information because they are concerned that they’ll be sued. “They are concerned that if the other members of the association get too much information, they will question the actions of the board,” says **John Schepisi** of the law firm of Schepisi & McLaughlin, P.A., with offices in New York City and New Jersey. “And in every association there are always malcontents that will take information given in good faith and create a non-issue item fight about it. For that reason, many board members share very little.”

Lisa Caltabiano, the president of Manhattan-based Efficient Management concurs that many board members and managers fear causing a panic, and therefore prefer to say too little. “They don't realize that appropriate communication can often allay fears,” she explains. “On the other side, owners who are over-involved in the day-to-day operations and question everything cause delays and create unnecessary work for managers. Property managers are licensed professionals and have much more experience than a typical owner. A board is voted in by the majority, and that board should be trusted to act in the best interest of the owners.”

Open or Closed?

Warren Schreiber, board member at a Queens co-op and the co-president of the President's Co-op & Condo Council, says that board members enter into a nondisclosure agreement to protect the board. "You have that in almost any corporation," he says. "In the case of housing cooperatives, you are dealing with multimillion-dollar corporations. You have to protect everything—including people's jobs—through this policy of non-disclosure but it doesn't mean you don't communicate."

However, when it comes to terms, he prefers the word 'communication' over 'transparency.' "Most boards go beyond what the actual statute calls for because it creates good relations and harmony in the community," he says. "But I'm not sure it's possible or even wise to have total transparency. If we're discussing as a board an issue that is of interest to a particular shareholder, you can't have a lot of transparency because of confidentiality. If we're negotiating contracts, you have to have some confidentiality so you don't compromise the negotiation. Afterward, you can communicate and let the shareholders know what's going on."

For example, Schreiber says that his board recently decided to replace the community's playgrounds. "They were almost 50 years old," he says. "They didn't meet safety standards and people are passionate about that. Under the business law, this decision falls on the board of directors but we sent out a survey. The survey allowed us to see how the shareholders felt about it and what they were thinking. Most other corporations don't even take your opinions into account." The results of the survey showed that 70 percent of the shareholders were for replacing the playgrounds. "It was a very helpful technique," he says. "We're in process of doing the removal now. There's no reason to have five playgrounds now."

Schreiber, who is also on his own board and has served as its president, says that his board holds 'town hall' meetings so shareholders can voice their opinions. "We give information to the shareholders and, in turn, we receive information from them and that information is invaluable," he says. "I think there is a big difference between communicating in writing and where you see people face to face."

Unfortunately, offering any kind of open meetings doesn't always mean that the whole building community will turn out for some spirited discussion. "People are complacent," says Mazel. "Hopefully a low turnout is a sign of a well-run building. If you want a big crowd and uproar, raise the maintenance fee."

Keeping Secrets

In some cases, boards have the right to stay mum. “A board should not divulge information that violates the privacy rights of its resident owners,” says Wolfe. “A board would typically not reveal day-to-day decisions or financial operations that would open a door to residents trying to micro-manage their own board. That includes the individual votes of board members on any given topic, which could easily lead to unnecessarily politicking or even harassment of board members in their own building. Board members’ privacy must be protected in order for them to act impartially and in their best business judgment for their property.”

Owners’ privacy is crucial as well. For example, Schreiber says that if one owner is in arrears, that’s not for anyone else to know. “We would be violating the shareholders’ confidentiality,” he says. “Some co-ops and condos publish names of shareholders in arrears, and I don’t think that’s appropriate; I think it’s counterproductive. If someone is having problems, you can’t really shame them. Speak with them privately and set up a payment plan. Have private discussions with your attorney to maintain attorney-client privilege.”

Talk it Out

A good board always looks for ways to improve communication with its residents. “Regular reports in the form of memos and newsletters, and occasional open forums or town hall meetings—apart from the mandated annual meeting—foster transparency,” says Wolfe. “Setting up a type of appeal process for decisions is also very helpful. Appointing an ombudsman board member or committee that residents can speak to when they have concerns is one of the easiest ways to foster trust and communication. Within a management company, letting residents know that if they have tried to communicate with their account executive and feel dissatisfied, they can approach the company executives with concerns, also fosters an atmosphere of trust.”

He suggests various technology tools to help keep in contact with residents. “These include a sophisticated interactive management website, and communication software systems such as BuildingLink or MyBuilding.com, which allow for email blasts and telephone blasts, as well as posting announcements that appear on all email devices,” he says.

Mazel advises boards to have minutes available for review. He suggests having mechanisms for shareholders to contact the board and allow them to give suggestions. “I encourage my boards to have

more than just the annual meeting. Once everyone is in the room, a board makes their report, and the shareholders feel better.”

The old saying goes, communication works for those who work at it. Successful boards must make sure they work at it and keep their residents informed.