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WEDNESDAY, FEBRUARY 10, 2016

TO: Shareholders, Seward Park Housing Corp.

FROM: Board of Directors, Seward Park Housing Corp.

DATE: February 10, 2016

RE: Garage FAQ's

Why is there a need to offer the parking amenity to more shareholders?

Seward Park has offered on-site parking as an amenity to a limited number of shareholders for many years. There are currently 388 cars registered in the garage. There are also nearly 700 shareholders on the waitlist for a spot. The people who are highest on the list have already waited more than 12 years for a spot (longer than any individual who currently has a spot). The 174 shareholders that joined the list in the last 3 years will have an average wait time of 34.5 years in the current arrangement.

Meanwhile, parking is an increasingly rare resource in the neighborhood. Multiple large lots between Grand and Delancey Streets closed this past year, and several that remain are scheduled to close in the near future to make way for the Essex Crossing development. Another nearby lot on Montgomery Street is expected to close in 2017 as part of the creation of a new park at Pier 42. A number of street spots have also been lost as part of recent changes made by the Department of Transportation.

Shareholders who do not have a spot in our garage must currently contend with paying more than double Seward Park's parking rates at private garages that can be a half-mile or more away. Others must contend with regularly circling around our streets, hunting for an available spot, and constantly moving their cars for street sweeping.

The valet operation that was in place prior to the 1999 collapse of the garage was subpar by all accounts. When the garage reopened in 2003, the board at that time voted to convert the format to self-park, rather than improve the existing service or engage a better operator. This resulted in the current extensive wait for a parking space as well as lost income opportunities by limiting the number of shareholders who can buy in to this amenity. The change may have suited the limited number of shareholders with a parking space, but it was a major disservice to the coop as a whole, and has remained so for the last 13 years.

The fact that shareholders have responded so passionately to the recent changes in the garage underscores that parking is an extremely precious resource. We now have an opportunity to allow many more members of our coop to share in this amenity, and every shareholder will benefit from the increased income and reallocation of resources. The board **unanimously approved** the resolution to open the garage to more shareholders with the best interests of the entire coop in mind.

What was the bid process to select the operator?

After a discussion of the potential for improving use of our garage asset, the board **unanimously resolved** to hire the industry-leading parking consultant company (Walker Parking Consultants) to advise us on optimal utilization of our garage asset. Options that were

explored included the concept of sale/deeding of parking spots to individuals, re-striping/reconfiguration of the garage, and additional locations for shareholder parking. The consulting report advised that it was overwhelmingly clear that the best option for increasing garage access and revenue was to move from the current “park and lock” operation to valet service. The board **unanimously resolved** to issue a request for proposal (RFP) to a number of professional garage operators. Both of these resolutions were previously published to the coop via boardroom report in December.

The RFP was designed to ensure that garage operators address all the potential concerns that are obvious with any valet service. Chief among these concerns are wait times, potential for damage to cars, and security. RFPs were sent to 7 qualified bidders that service large residential coops in Manhattan; 4 of these operators submitted sealed bids. The board and management then conducted extensive reference checks with multiple stakeholders connected to the operators’ garages in other coop buildings, including cold calls to resident shareholders, board members, and management principals. The SP board and management also conducted garage site visits, observed operations, and met with management staff and personnel from the various companies. The 3 operators with the best bids were invited to present at a board meeting and were challenged by the board to respond to many of the same concerns that shareholders have expressed.

With all of the information in hand, the board **unanimously resolved** to increase garage access by moving to a valet operation. The board separately **unanimously resolved** to select the garage operator that it felt represented the best choice for the coop. The operator has previously overseen similar changes from park and lock to valet operations at other large coops and they are exceedingly experienced with our challenges and concerns.

The day following these votes, the board delivered a memo to shareholders advising of such. The board has herein provided additional written information prior to the shareholder meeting to be held on February 24, 2016 at 7 PM at the Manny Cantor Center.

What new benefits can parkers expect?

Parkers will experience service and conditions that are in many ways superior to the current configuration. All 39 current parkers on the outdoor-to-indoor waitlist will be offered an indoor spot. Valet operators will remove snow and ice from outdoor cars before delivering them. If requested, cars will be ready with engines running, heated when it’s cold outside, and cooled when it’s hot. Car washing and detailing service inside the garage will be available. Valet operators will start rarely used cars, upon request, to preserve the battery. Valet operators will help shareholders load and unload their cars and keep wheeled shopping carts that shareholders can use to transport goods between their cars and apartments.

After parking patterns are established (within a few weeks of implementation), wait times will be minimized and cars that leave regularly will be waiting at the front of the garage. Parkers who leave more occasionally will have several methods of notifying the garage to get their car, allowing attendants to stage vehicles in the amount of time it takes to get from one’s apartment to the garage ramp.

Other valuable financial and convenience benefits will be detailed at the shareholder informational meeting. All logistics of operation are still being worked out between the board, Greenthal Management, and the garage operator and will continue to be adjusted during the transition to ensure maximum benefit to our shareholders, the proper operation of the facility, and the long-term success of the garage operator.

What are the financial benefits that the coop will realize by using a garage operator?

The financial model is a revenue share agreement. Adding additional monthly spots through the use of a valet allows for increased capacity we could otherwise not achieve. Seward Park will generate significant additional revenue—\$100,000 to \$200,000 per year—for the coop, and the garage operator generates revenue to offset its operating costs and earn a profit.

The move to valet parking represents a significant and guaranteed revenue stream that will help offset future needs to increase maintenance and parking fees in order to meet ever-increasing expenses. Our real estate taxes, currently our biggest expense, increased from approximately \$3,000,000 in 2003 to close to \$10,000,000 this year (230% increase), and we are being hit with yet another increase starting in July. The fact that the parking fees have only increased twice in the same period (monthly rates per spot of \$125 increased to \$165 and then to \$215, for a total 72% increase) underscores the overdue need to reposition this asset as a benefit to more shareholders, not just those who park. Establishing this permanent new source of revenue benefits every shareholder, including those with no particular interest in parking.

How many additional vehicles can be accommodated?

Data thus far indicate that there is a minimum 20% vacancy during most periods and up to 30% vacancy at the top end. Additional capacity can be realized by having parking professionals park some cars in our wide drive aisles that are currently underutilized. The layout and design of the garage is ideally suited for a valet operation, with multiple entrances/egress points, large drive lanes and wells for staging vehicles. The parking consultants detailed the application of industry standards to our facility, taking into account Department of Buildings standards and structural integrity.

Once a contract is finalized, the operator can apply to the Department of Consumer Affairs for additional occupancy. The exact number of additional monthlies is therefore yet to be determined. The operator is solely responsible for allowing vehicles up to the maximum capacity, which may be adjusted after the initial transition.

What is the estimated time to retrieve one's car?

Once you notify the garage that you are coming to retrieve your car, your vehicle will be delivered to the ramp in wait for you. In most cases cars will be ready within 5 minutes, but allow 15 minutes at the busiest times. If you need your car urgently, your car can be prioritized with appropriate notice to the valet.

You can notify the garage through multiple channels, including telephone, text, website, or the operator's proprietary smartphone application. You will receive a confirmation message that your request has been received and is being acted upon. You can also simply walk up to the garage to request your car. In addition to "on demand" requests, the operator's technology also allows for requests to be made well in advance.

More detail on the technology for facilitating car requests will be provided at the shareholder informational meeting.

Will parkers have to provide their keys to the valets?

Yes. This will allow for efficient utilization of the garage and fastest possible retrieval of cars. Both keys and vehicles will be safeguarded using best industry practices. The operator has an excellent rate of employee retention, meaning that there is a high level of personal responsibility and low level of disciplinary attrition. The operator's designated on-site manager for Seward Park is an extremely attentive individual with many years of garage management

experience. Finally, the operator hires an outside “secret shopper” agency whose employees pose as customers specifically to determine whether anything in the car, including small items such as loose change, has been removed or disturbed.

What happens if damage occurs to cars?

The garage operator will be held liable for the condition and safekeeping of vehicles. The operator has an impeccable record of low damage rate and responsiveness to issues as per reference checks that were conducted. They also carry insurance for this purpose. It should be noted that shareholders currently parking in the garage already experience dents and other damage from their fellow parkers.

The operators are parking professionals that have built a thriving business by successfully safeguarding cars in hundreds of lots throughout the city. A valet operation has the potential to reduce likelihood of damage to vehicles. When damage does occur, the liability process will be more predictable, transparent, and expedient. The operator will be installing new cameras, at their expense, throughout the garage to improve accountability and security.

What is the security arrangement?

The operator will be responsible for security of all vehicles in the garage and, as noted above, will add security cameras in key locations as identified in collaboration with management. These cameras will be tied into the coop’s CCTV security system; footage will be recorded and archived on a schedule in line with industry best practices. The garage will be operated and staffed by parking professionals 24 hours a day, 7 days a week, 365 days per year.

Will the public be allowed to park?

Yes, but only for hourly parking at a rate set by the operator. Vacancy audits were conducted as part of the feasibility study, and they continue to be conducted to collect data that will allow the garage to be used most efficiently. There is a constantly fluctuating number of spots that become available as monthly parkers take out their cars. These spots will be available to the public for hourly or daily parking, including for guests of shareholders or shareholders who do not have a garage spot.

Did the feasibility study consider adding stackers/lifts to the facility?

Yes. The garage consultants identified a number of specific locations on the lower level where stackers/lifts could be installed without compromising the structural integrity of the garage or impacting any mechanicals. They also determined that the upper level was not an appropriate site for the addition of stackers. The board intends to consult with the selected operator about the feasibility and usefulness of stackers/lifts after parking patterns have been established. The operator would be solely responsible for the cost of purchasing and installing lifts.

Did the board consider a mixed model to retain some spaces as park-and-lock?

Yes. Such a model did not allow for achieving maximum occupancy and would require separate operations that would need different management resources to implement and maintain. The failure of the previous valet at Seward Park (prior to the garage collapse) was partially due to its use of this mixed model.

Will we be expected to tip the valets?

Tipping is at the sole discretion of the individual shareholders/parkers. Regardless of whether you choose to tip, the valets’ actions will be continuously monitored and analyzed by the operator’s technology systems to ensure excellent service to all customers.

How will valet service affect my property value?

Real estate professionals indicate that the addition of valet service as an amenity has an overall positive impact on property values.

What other benefits will be realized by moving to valet service?

The coop will save money on maintenance and repairs to the parking facility, the following components of which will henceforth be the responsibility of the operator: garage gates, snow removal from upper garage, light fixtures and bulbs, cameras, phones, internet, regular plumbing and electrical. With no increase in personnel or payroll, our management's employees can now be transferred from the garage to service the coop in other ways.

How is the transition going to work?

The waitlists will be maintained and additional parking spots will be offered based on list position. A large number of car and motorcycle spots will be offered within the first few months. When all of the newly available spots have been filled, the waitlists will continue to be maintained.

The operator has pledged to over-staff our garage during the initial implementation period and then scale the number of valet operators to our needs. One of the company's most experienced managers will oversee the transition and be designated as our own on-site manager. The manager and valets will quickly learn the names, preferences, and concerns of our parkers and will strive to provide excellent service.

Thank you all for your patience and cooperation. We have heard and acknowledge the ongoing concerns and assure you that the board's intention has been to do the right thing for the coop. The board will work closely with management and the operator to bring the most possible benefits to our shareholders and community.