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CHOOSING YOUR MANAGING AGENT

By EDWARD A. GARGAN

SINCE 1947, the tenants at 47 East 87th Street had relied on one c ompany to manage their 60-unit cooperative building. Then, in 1976, t he co-op's treasurer, Danelle Knapp began wondering why the company w as paying a bill for 3,000 pairs of white gloves a year.

"Our doormen have never worn white gloves," said Mrs. Knapp. "I started asking questions, like why are we paying four firms for uniform rentals. They had us buying supplies at supposedly wholesale prices that were more expensive than if we bought them at the A.& P." As it turned out, the management company could not come up with an explanation and was dismissed in 1978.

After interviews with several other concerns, the building's board of directors chose one of the foremost managers of luxury buildings in Manhattan.

"Then our troubles really began," Mrs. Knapp said with a sigh. "The people who were assigned to our building never seemed to know what was going on. There were bills to our account from other buildings. We would point this out and it would take nine months to straighten it out.

"They had sweetheart suppliers. Our agent recommended that we buy an $8,000 mechanism to regulate oil use - this was about six months after we bought a new $35,000 boiler. We said, 'Fine, but get some other bids and don't buy from the firm you recommended.' He went right ahead and bought from his firm. It didn't work. It turned out that the mechanism was incompatible with our boiler. In fact, we used more oil, not less."

In February, the board got rid of the second company and hired a small, family-run concern, Wallack Managment Company, to run the building. So far, things have gone well, Mrs. Knapp reports.

The problems Mrs. Knapp's building had are more acute than those of most co-ops, but they illustrate the range of frustrations boards experience as they seek good management for their buildings. The selection of a managing agent may be the most important decision a board has to make. All the companies say they offer something a bit different and a bit better. But in the end, they all strive to offer remarkably similar services. Indeed, the similarity of what they offer provides a useful index of the essential services needed by any co-op.

Ideally, a management company behaves like a hired godparent - smoothing problems over without getting in anyone's hair. Among other services it offers, it should:

- Work with the board to prepare the co-op's annual budget and maintain all financial and lease records.

- Assign an agent who has primary responsibility for the co-op, hire a superintendent and other building personnel and makse sure they are properly paid and supervised.

- Contract for all utilities and make sure that bills are paid on time and that repairs are done expeditiously and at reasonable cost. In addition, it should purchase all supplies for the building.

- Prepare bills for maintenance and tenant charges and maintain a 24-hour number for emergencies that may arise outside usual business hours.

- Produce monthly financial statements for the co-op's board of directors and file all required Federal, state and city reports, including tax withholding forms for building personnel, unemployment reports and hospitalization and medical records.

The company may also provide a wider range of services, including the listing and offering of vacant apartments, supervising the sale of co-ops and arranging for insurance coverage.

In fact, there probably is no managment concern that fulfills all these functions to the satisfaction of its clients. Mary Sokolow, the project director for the Council of New York Cooperatives, a not-for-profit organization that provides information and counseling for co-ops, said that problems with management companies were the most discussed topic at co-op board meetings.

''It isn't always easy for the agents,'' she said, ''but a lot of them just don't keep on top of things. The supervisors have too big a caseload and many of these companies are just too stretched.''

More often than not, Mrs. Sokolow noted, members of co-op boards are not experienced in running a multimillion dollar physical plant, which is precisely why management companies exist. To some extent, she said, the board's inexperience may provide too much leeway for the company.

In part, the problems arise from a keenly felt sense of competition. Larger companies strive to solicit the business from as many buildings as possible, often creating situations in which co-op boards feel they are being neglected.

At the same time, smaller companies, struggling to carve out a niche in the market, may take on too many buildings too quickly or sign up a building larger than it is really capable of managing.

"We are not wholly without fault," said Irwin Gumley, executive vice president and director of management for Douglas Elliman-Gibbons & Ives Inc., one of the city's largest management companies which currently manages 220 coops in Manhattan. "There are times things go wrong. Sometimes something major goes wrong. And there is a tendency to blame it on the managing agent."

Though co-op boards are inclined to focus on the problems rather than the benefits of working with managing agents, the management companies tend to minimize the potential for difficulties and stress their ability to meet the needs of the boards and the tenants.

For the co-op board, then, the decision between competing companies often comes down to choosing a large company with a considerable array of resources that may even include engineers and attorneys, or a smaller concern that offers a high degree of personal service. It is never a clear-cut or easy choice.

Edward Sulzberger, the president of Sulzberger-Rolfe Inc., which manages 50 large co-ops and is one of the top companies in Manhattan, said that he sends a battery of people to interviews with co-op boards.

"We will bring to that meeting our financial vice president, the head of our management department, the account executive who will be in charge of the building and, if necessary, our professional engineer," he said. "We will ask to make an inspection of the building so we can make specific recommendations. We like to bring the management selection committee through our office so they can see how our operation is run. We tell them how we are prepared to function."

Mr. Sulzberger voiced confidence that his company had more to offer than a smaller concern. "We have a professional engineer," he said. "We have a purchasing department. We have tremendous backup. We have a 24-hour hotline."

Nevertheless, Mr. Sulzberger acknowledges that all is not always wine and roses. "It would be foolish to say we've never lost a building," he said. But, he added, "we lose less than we gain."

Mr. Gumley of Douglas Elliman stressed the ability of large concerns to handle the complexities of co-op management. "With a smaller company you may be relying on the individual," he said. "If he goes on vacation, you are stuck in an emergency."

Because Douglas Elliman's management fees tend to be higher than those of competing companies, Mr. Gumley said that he had to win the confidence of a co-op board by his concern's ability to meet needs rapidly and thoroughly. "We like to compete on the basis of service rather than on the basis of price," he said.

Management companies arrive at their fees in several ways. At Douglas Elliman, the fee is correlated to the number of apartments in a building. For a well-kept 100-unit co-op, the fee might be $26,000 to $28,000 a year. Some companies, such as L.B. Kaye Management, determine their fee only after evaluating a building. While the fees tend to rise yearly, some companies may offer a discount for the first year of a two-year contract.

But nearly every management company insists that the real profits from managing a co-op do not derive from its annual fees, but rather from the sale of apartments, on which the companies earn an average commission of 6 percent.

Though apartment owners can sell through any broker they choose, or even on their own, the brokers of the managing agent often get the first listing when an apartment is put on the market. Especially in co-ops in prime areas, the turnover of apartments provides a steady source of earnings for management companies.

The way a management company makes its purchases is a persistent concern of co-op boards. It is common practice that purchases under $500 are made from a list of vendors that is maintained by the company. For purchases over $500, most boards and companies insist that there be competitive bidding.

But, as Mr. Gumley observes, bidding itself is expensive. Because Douglas Elliman largely confines itself to luxury buildings, the promptness and quality of service is frequently of greater consideration than relatively small savings that may be derived from soliciting bids.

He noted, however, that for a major improvement, such as the replacement of a boiler, bids would be sought from at least three bidders. For routine purchases, though, competitive prices are a factor and the company does not impose a service fee on those purchases.

L.B. Kaye Management, a division of the real estate concern of L.B. Kaye Associates, has been in business for four years and its officers promote the personal quality of their service. They now manage 35 coop buildings.

Byron Eichholz, co-executive director of the company, said: "What we can sell that a larger firm can't sell is that we ourselves offer the service. We ourselves are on call 24 hours a day."

Mr. Eichholz said that in the four years L.B. Kaye had been managing co-ops it had not lost a single building. "We know we have to keep an ongoing rapport," he said. "Little things are very important. You have to give them attention. If the tenants don't like what's happening, they don't hesitate to tell you."

At Wallack Management Company, the firm that took over running 47 East 87th Street, smallness has less to do with size than with quality. "We're a family owned business," explained Burton Wallack, the company's 31-year-old president.

With seven people working for him and only having recently converted to computer bookeeping, Wallack does not seek out huge buildings to run. In fact, the East 87th Street co-op with 60 units is the company's largest undertaking.

So important is personalized service for Wallack, that everyone in the office helps out with everything, Mr. Wallack said. ''Everyone is equal,'' he said, ''everybody in the office answers the phone. Everybody is accesssible.''

In moments of candor, senior executives at management companies grumble about co-op boards and suggest that not all the problems that arise lie with the companies. ''It's gotten more difficult,'' explained Mr. Gumley. ''Because of the wave of coversions, the adjustment from dealing with an adversary landlord to a landlord you control is difficult. The level of services provided by the bulding has changed. Take repairs. Serious repairs in a rental building are the responsiblity of the landlord. In a co-op, they are the responsibility of the tenant.''

''The early years are the most difficult,'' said Mr. Sulzberger. ''You have to educate a tenant that he has become an owner. It's a slow process.''

Summing up her view of the situation, Mrs. Sokolow of the Council of New York Cooperatives said the perfect agent probably does not exist.''There are some very good ones out there,'' she said, ''but the most important thing is that the board has to stay on top of them.''

Illustrations: photo of Byron Eicholz photo of Burton Wallack photo of Irwin Gumley photo of Edward Sulzberger

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