

G.R. Housing Corporation
Maintenance Increase Open Meeting
October 7, 2024

Board Members Present: Amber Batchelor, Nancy Campbell, Kay Cassell, Moira Dolan, Dean Dunbar, Angus Johnston, Dan Rosenfeld, David Stokes

Absent: Dan Lipman, Illa Silsdorf

David Stokes opened the meeting, introducing the board and Richard Montanye, the building's accountant.

He announced that there will be an HPD virtual public hearing on the proposal on October 30, at 4 pm.

Richard Montanye gave an extended statement to the meeting:

HPD's hearing will be conducted on WebX. Participants can dial in by phone, and can leave public comment in writing.

The proposal from the Board is for three annual increases, at 15/10/4 percent. Will be submitted to HPD, who will assess whether the increases are justified and make the final decision as to whether to approve, reject, or amend.

If circumstances change subsequent to initial approval and we don't need one or more of the later increases, they can be deferred subject to HPD sign-off.

Our insurance rates have doubled in last three years, are likely to increase further due to national effects of climate change. Other Mitchell-Lamas have seen even bigger increases in insurance costs.

Commercial income has always been a big source of income for our building, but due to pandemic such income is down substantially.

Union contract costs rising.

Aging building means increasing plumbing costs.

Currently we hold four favorable mortgages, and are "taking advantage of any free money we can get."

Building amassed aggregate deficits of \$300K+ in the early pandemic, and another of \$150K last year.

All the Mitchell-Lamas he works with—fourteen—are experiencing similar difficulties, as are private buildings.

New regulations for apartment buildings in NYC hitting everyone hard.

HPD takes a long time to process applications. Likely six months at least before they make a decision on the current package. Additionally, they may not approve increase within a year of last one, which came in September.

Our current financial situation is very unusual—711 ran “famously” for a long time, but rising costs and crises have taken a toll since the start of the pandemic.

Questions from cooperators:

N. Malone, ##: Asks about past increases.

Answer: 20% in Sept 2022, then 3% in 2023 and 2024.

E. Vecchione, ###: Any possibility of government intervention in support of Mitchell-Lamas?

Answer: Montanye has reached out on that issue specifically with regard to insurance rates, but unfortunately there’s less competition among insurers these days, making negotiating more difficult.

N. Campbell, Board: There is a Local Law 11 façade inspection requirement every five years. Is it accurate to say that private complexes have much more money available, while our costs to the vendors are the same?

Answer: Montanye agrees, notes that we’ve been protected from the effects of that disparity for a long time due to commercial income. Many other Mitchell-Lamas are higher already than where we’re going to wind up.

N. Rodriguez, ###: Asks for definition of maximum/average cost per room.

Answer: Every room in Goddard Housing pays the same rate per room.

K.M Tsu, ##: In the building's original prospectus, it was stated that lower-floor apartments would pay less than higher ones. Is that still the case?

Answer: Current maintenance rises as you go higher in the building. The proposed maintenance increase will be calculated on a percentage basis, the same percentage for every unit.

N. Malone, ##: Seems like there's not clarity on base maintenance vs. surcharge. She has reached out to First Service by email, has gotten no response. Seeking more transparency on amount of increases.

Answer: Maintenance increases only apply to base maintenance and utilities. The surcharge will not be increased, and some individual cooperators' surcharges may go down.

N. Malone, ##: Requested confirmation that her base maintenance is correct, says original formula was confusing, unclear.

Answer (Nancy Campbell): She will follow up and confirm.

Answer (Moirá Dolan): She and Nancy Campbell are working on a glossary/guide to the line-item charges on the bill, and on rendering surcharge calculations more transparent. More on that soon.

R. Place, ###: He has had difficulty with a maintenance undercharge. Nancy Campbell straightened it out, but would be good to have a formal contact.

Answer: Fran Belfor is the first line to contact with such issues.

C. Arboleda, ###: Does a maintenance increase drive an increase in the purchase price of the apartment, and if not, could it be increased?

Answer: Any maintenance increase doesn't affect the purchase price. The purchase price includes the "First Sale" cost, which was raised by 50% in 2009, for the next buyer for each apartment. First Sale revenue goes into a reserve account that can't be accessed for other than capital improvements, and which has to be approved by HPD for such use.

C. Arboleda, ###: Could the First Sale be increased again?

Answer: It's possible, could be considered, but it isn't a major revenue source and is restricted as to use.

E. Fernandez, ##: Every month, money is listed as being owed to the building. What's being done to collect those debts?

Answer: First Service is actively working on such issues on an ongoing basis.

N. Rodriguez, ###: Could we do an assessment for the gas project loan repayment, to reduce the maintenance increase?

Answer: We have two outstanding assessments already, but yes, could consider another. However, the maintenance increase is intended to provide financial stability for the long term, beyond our short-term needs. Other issues coming over the horizon—the roof hasn't been replaced in 25 years, for instance.

C. Arboleda, ###: How likely is it that HPD will approve this increase?

Answer: HPD will likely approve it, though it is a significant amount. One issue we're facing right now is that we're falling behind on paying our bills, and if you're not good to your vendors, your costs go up. HPD is likely to take that dilemma seriously. Also, our current deficit is 8% of our budget. Montanye recently had a situation in which HPD suggested a larger increase than a building was requesting, although our building is in better shape than that one.

C. Hernandez, ##: Are we at the mercy of the insurance companies? Can we push back against their rate increases?

Answer: All the insurance companies are raising their rates and cutting coverage, and the market is contracting—there are fewer insurance companies and reinsurers than there used to be. We put insurance out to bid, and our current rates are competitive, but the market is changing.

E. Fernandez, ##: As an insurance broker, rates were flat for a long time, massive hurricanes caused by climate change led to current spiral. It's a national market, everyone affected.

Answer: Agreed. Also, even in New York, intense weather is getting much more common.

C. Rose, ##: What's the situation with the building's recent commercial rent cuts?

Answer: Rents were cut dramatically during pandemic, we've negotiated partial restoration. Albee's lease expired at the start of Covid, which meant we had no leverage with them early on. We came very close to losing them then. We've since negotiated a more favorable lease with increases each year through 2026.

C. Rose, ##: Are you doing comparative studies when negotiating? Albee's is a major corporation.

Answer: Their business moved heavily online during the pandemic, and they're not back to their previous schedule of opening yet. But we negotiated significant increases in the most recent lease (2024–26), and we're hopeful of improving further in the next one.

E. Vecchione, ###: I don't always get the feeling that HPD is responsive to our needs. A lot of lag in filling vacant apartments, etc. What's our relationship with them?

Answer: We've been pushing them to be more responsive.

J. Horne, ##: Concern with transparency and communication. As a community we have a lack of knowledge of our history—it's an old building. Our financial planning should be future-oriented, and we should reinstitute our newsletter to increase communication with cooperators. Concerned that the maintenance increase may not be big enough to handle our issues.

Answer: The board is happy to meet with cooperators individually, and eager to restart the newsletter if Judy or someone else would be willing to take it on.

V. Davis, ###: Why is there a \$3 charge for electronic submission of the bill, and who does it go to?

Answer: The fee is a ClickPay fee, but you can avoid it by paying by auto-pay.

N. Rodriguez, ###: What is the “Special Repairs” line in the financial projection?

Answer: Unanticipated one-time repair projects, like the recent sidewalk repair and the upcoming sidewalk elevator replacement, which we are currently soliciting bids for.

N. Rodriguez, ###: Why are the projections set at the levels they are?

Answer: Some are based on current contracts, others on best available estimates.

N. Malone, ##: If First Service continues to do such a poor job, would it be possible to replace them?

Answer: They’re never as good as we would like them to be, but there’s been consolidation that industry. There’s a big cost to transitioning to a new managing company, and we’re not big enough for a full-time property manager.

L.Y. Chen, ##: Who chooses the contractor when we contract with outside companies?

Answer: We solicit bids on the advice of our management company and others, assess those bids as a board, then vote on them publicly at board meetings and distribute the minutes to cooperators.

J. Horne, ##: Is the Board distributing information through the web?

Answer: We’ve been working on setting up a site on Building Link, but haven’t had the money for it. First Service has a smaller website called Connect where some information is available.