



Photographs by Tina Fineberg for The New York Times

Maintenance Fees: Up, Up, Up

By TERI KARUSH ROGERS

[NEW YORK CITY](#) apartment owners can hardly be blamed for feeling nostalgic, and a little depressed, as they receive their increases in condominium common charges and co-op maintenance fees this year, for many, the fifth or sixth in a row.

In the old days, the fees rarely rose, and then usually by very little. Owners and prospective buyers, rationally or not, expected common charges and maintenance to remain about as constant as their mortgage payments. But six years ago, rising operating costs and property taxes put an end to that.

Average co-op maintenance fees in [Manhattan](#) last year were 30 percent higher than in 2002, compared with a 9 percent difference in the previous five-year interval, according to an analysis of residential sales data by Miller Samuel Inc., the Manhattan appraisal company. (Data for other boroughs was not available.) Condos had a 38 percent increase in combined common charges and real estate taxes in the most recent five-year comparison, versus 27 percent in the previous five-year period.

The old yardstick of \$1 in maintenance for each square foot in the apartment has gone the way of the nickel candy bar. Doorman buildings in Manhattan now average \$1.37 per square foot in maintenance fees or in the case of condos, real estate taxes and common charges, according to Miller Samuel. Buildings without a doorman average \$1.22 per square foot.

Many brokers selling in Manhattan's prime residential areas put the range higher — at \$1.40 to \$1.60 for a doorman building to more than \$3 a square foot for ultraluxury buildings.

Surprisingly, the increases have not been met with the loud and bitter complaining that one would

expect. “New York is just so strange right now — anytime you go out to dinner or to the dry cleaner, everything costs so much money that nobody flinches anymore,” said Dennis Mangone, a senior vice president at the Corcoran Group.

Mr. Mangone recently sold a \$13 million co-op at 15 Gramercy Park North with maintenance charges of \$13,000 a month. Even he struggled to comprehend the monthly sum: “I’m a simple guy from the [Bronx](#), and nothing makes sense. But if they want to have room service at 2 in the morning, they can have it.”

This year, according to several large property managers, many ordinary buildings ended up with another round of 5 to 7 percent increases. As usual, the reasons were largely outside the control of the buildings or their managers.

“Co-ops control a very small percentage of their actual costs,” said John R. Janangelo, the president of Bellmarc Property Management. “About 85 percent you really have very little or no control over. Real estate taxes, insurance, payroll, fuel, water and sewer costs make up the vast majority of the budget. The leftover 10 or 15 percent you have some control over, like repair and maintenance costs, your service contracts, your building supplies, the administrative costs.”

Unfortunately, prices for nearly every item in the 85 percent category have surged in recent years.

Shortly after Sept. 11, property insurance rates shot up, even tripling in certain high-profile buildings. (Rates have begun drifting downward again, but not to previous levels.)

More significantly for many, an 18.5 percent increase in property tax rates in 2002 dealt an enormous blow to co-op budgets. Soaring property tax assessments, the byproduct of a roaring real estate market, magnified the impact.

“We saw increases of 25, 50, 75 percent in assessed values,” said Gary Ziprin, chief financial officer at Midboro Management. “Sometimes they even doubled.”

A modest reprieve arrived in the form of a 7 percent reduction in tax rates in 2007, but it was good for only one year. Assessed values continue to rise, albeit at a slower pace this year.

(It could be worse. Although assessments are way up, they still trail property values. To help shield owners from unaffordable tax increases in a rising market, the law requires that co-op and condo buildings be assessed as if they were rental buildings, resulting in far lower tax bills.)

As water and sewer costs have ratcheted upward, fuel costs have spiked. “The price is three and a half times higher than it was six years ago,” Mr. Ziprin said. Recent upticks have been especially brutal.

“Fuel has been a big, big issue,” said Lynn Whiting, the director of management for the Argo Corporation, a property manager based in Manhattan.

Consider the impact on a 35-unit Manhattan co-op managed by Argo. This year the building budgeted \$2.50 for a gallon of fuel oil, compared with \$1.50 for 2007.

“In this particular building, fuel expenses make up about 10 percent of their budget,” said Richard Apell, Argo’s controller. “That means about a 43 percent increase in fuel cost and a 4 percent increase in maintenance. I would say that’s pretty typical.”

Building boards can offset rising costs with money-raising measures. Flip taxes, often a small percentage of the sales price, paid by apartment owners when they sell, are an example.

“Maintenance has not mirrored operating costs in many well-run buildings,” said David Kuperberg, president of Cooper Square Realty, a property management company. “Flip taxes have been able to add income because of the large volume of sales over the past few years, and co-ops that have refinanced

their mortgages have been able to, in many cases, offset operating costs with lower debt-service costs.”

In addition, many buildings have scrappily pursued other revenue-generating avenues, from transforming unused stairwells into storage spaces to charging buyers application fees of \$1,000 to \$2,500, said Michael Wolfe, president of Midboro Management.

Many co-op buildings with commercial space are benefiting from a recent change in the “80-20 rule,” the federal tax regulation that required them to earn at least 80 percent of their gross income from tenant-shareholders and no more than 20 percent from commercial tenants. “A lot of buildings had to give sweetheart deals or rebates to their commercial tenants because they were limited to how much rent they could charge,” said Mr. Ziprin, Midboro’s chief financial officer.

Now they may be able to stop giving rebates or to renegotiate the rent for their commercial space, raising it to market value. A building managed by Midboro canceled a \$30,000 rebate payment in late December, just after the change in the law.

That maintenance and common charges may not fully reflect the spike in operating costs is small consolation to some owners who are handing over ever-larger sums each year.

Robert Alper, the vice president of Advanced Management Services in Brooklyn Heights, which manages buildings with some 7,000 apartments throughout [Brooklyn](#), has observed a range of reactions.

“The more working-class buildings tend to have a renter mentality where prices only go up when the lease is renewed,” he said. “You really find people thinking there is a conspiracy — that if the building were well-managed, it couldn’t possibly need a 6 percent increase. But the better-educated the residents of the building, the more understanding they are of it.”

For anyone, though, it can be a rude shock. “People buy into an apartment, and they figure out how they will pay the monthly charges, and then all of a sudden the rules change, and they feel a degree of betrayal because the maintenance goes up more than they would expect,” said Anthony vanEyck Miller, a vice president at Bellmarc Realty. “I have known cases where people feel positively bitter.”

For many owners, rising property values have acted as a balm, for now.

“It would be one thing if costs were increasing and values of apartments were decreasing, but so far that hasn’t been the case,” said Mr. Janangelo of Bellmarc Property Management. “The one chart everybody looks at in the annual meeting is how many apartments sold last year and how much per share or square foot did they sell for.”

Deborah Colitti, 53, a real estate investor and property design consultant, barely flinched when her maintenance increased by 22 percent during the five years she owned her apartment. She paid \$639,000 for her one-bedroom co-op on Greenwich Street in the West Village and recently sold it for \$950,000 with the help of Tamir Shemesh, a managing director at Prudential Douglas Elliman.

“My maintenance was around \$900 a month when I bought it in 2002, and it popped up to \$1,100,” Ms. Colitti said. “That was like, ‘Oh!’ But I made almost 50 percent in five years.”

Real estate agents say that buyers, by and large, seem to have become as inured as many owners to the steady increases of the last few years

“ ‘I don’t want a high maintenance’ used to be a kind of mantra years ago,” said Elaine Clayman, a senior vice president at Brown Harris Stevens. “I just don’t find you hear people talk about maintenance the way they used to. I think income is so high right now — 25 percent of sales are to financial people and they’re making a huge amount of money even this year — that prices are dwarfing the prospect of higher maintenance. Once you’ve swallowed the pill about price per square foot,

maintenance per square foot becomes secondary.”

Similarly, even higher-than-average maintenance fees aren’t necessarily the deal slayers they once were.

“You might get comments, but they’re still selling,” said Deanna Kory, a senior vice president at Corcoran. “It’s different from previous markets.”

Richard Grossman, the executive director for downtown sales at Halstead Property, offered an illustration: “Ten years ago, to buy a two-bedroom apartment that cost \$1 million, you put down 25 percent and financed \$750,000. Your payment at 6.5 percent interest for 30 years was \$4,740 per month, and your maintenance was \$1,500.

“Flash forward 10 years. The maintenance is maybe up to \$2,200, but the price is \$2 million. If you finance 75 percent at 6.5 percent, your mortgage payment is going to be \$9,500 a month. The proportion of maintenance is so much less.”

Of course, whether a buyer will overlook a higher-than-average maintenance depends on why it’s high: financial mismanagement, land leases and pending lawsuits signal further outsized increases ahead. If maintenance is a little high — say, \$1,500 for a Junior 4 (a large one-bedroom with a dining area) in a doorman building, or about \$300 above average — “it’s not going to be the death knell it was 15 years ago,” Mr. Grossman said.

“Twenty percent above market is acceptable,” he added. “But a maintenance 50 percent above market would not be acceptable. People will start looking at that property with a different set of eyes.”

Last July, Tristan Louis and his wife, Amy Shertzer, bought a large two-bedroom co-op in a full-service doorman building on East 28th Street at Lexington Avenue. The 1,600-square-foot apartment came with a maintenance that was nearly twice as high as the neighborhood average.

After knocking 10 percent off the purchase price and scrutinizing the building’s finances, Mr. Louis concluded that “the finances were very solid” and that the maintenance had more to do with heating oil and labor costs for a fairly large staff. “I’m very happy, actually,” he said. “It’s one of those things where living in Manhattan has a premium, and living in a really nice building in Manhattan has a higher premium.”

Going forward, Mr. Louis, an Internet consultant, is hopeful that his maintenance will climb no faster than fees at other buildings.

And climb it almost certainly will.

“I think further increases in energy, water and labor are inevitable,” said Mr. Kuperberg of Cooper Square Realty. “The biggest are energy and taxes.”

Indeed, real estate taxes are set to continue their ascent, if at a slower pace than earlier this decade. The city’s finance commissioner, Martha E. Stark, recently projected that co-op and condo tax bills would increase by an average of 6.8 percent this year because of higher assessments.

Even if property values stagnate or drop (potentially softening assessments), real estate taxes could continue to rise if the city decides to replenish its beleaguered coffers by declining to extend last year’s 7 percent rate cut.

At the same time, property-tax appeals aren’t going as well as they used to. Mr. Wolfe of Midboro Management said that co-ops managed by his company used to get reductions of 20 to 25 percent. Of late, they have been offered just 5 to 10 percent.

Meanwhile, buildings that have so far avoided passing on all of the increase in operating costs may find

themselves running short of options. Flip-tax revenue, for example, is expected to diminish in a slowing real estate market.

But just as falling interest rates may trigger a refinancing boom among homeowners, even co-ops that refinanced a few years ago may soon return to the well.

“One thing they have to be very careful about,” Mr. Wolfe said, “is putting a lot more debt on the building. If you’re paying the prepayment penalty and pulling out money for capital improvements, what happens when the end of the rainbow comes, and you have to refinance again when rates are up dramatically?”