FIRST *Impressions*

News for board members and building owners of properties managed by FirstService Residential

DECEMBER 2021

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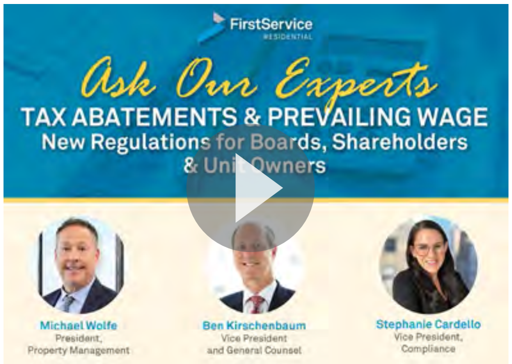
Prevailing Wage Law May Impact Your Co-op or Condo

In September, Governor Hochul signed into law an amendment to the Co-op/Condo Tax Abatement that requires certain cooperatives and condominiums to pay a prevailing wage to its employees (excluding only employees who work less than eight hours per week) in order for its tenant-shareholders/unit owners to be able to receive the abatement. The prevailing wage requirement—which impacts more than 100 properties managed by FirstService Residential—must be met by July 1, 2022, or the co-op/condo will not be eligible for the abatement for the fiscal year starting on that date.

BUILDINGS ALREADY PAYING PREVAILING WAGE

If the building employees are members of SEIU Local 32BJ or the building is already paying prevailing wage, no action is required. Note that the collective bargaining agreements with some unions are below the prevailing wage. If you are not currently paying the employees prevailing wages and/or there are third-party service providers of staffing that are not paying prevailing wages, a decision will have to be made on how to address the new law. Please speak with your property manager or financial analyst if you are unsure if you are currently paying prevailing wages.



Follow this link to watch the replay of our December 14 webinar.

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Prevailing Wage Law

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All co-ops/condos with an average assessed value of more than $60,000 per unit must pay its employees a prevailing wage to be eligible for the abatement unless the building has less than 30 units, in which case, the average assessment per unit must be more than $100,000 for the prevailing wage requirement to apply.

FirstService Residential enlisted attorneys Robert Sparer and Daniel Rowoth, labor and employment experts from Clifton Budd & DeMaria, LLP, to host an educational webinar for our property managers in November covering the "Residential Building Service Employee Prevailing Wage Schedule."

PRIMARY RESIDENT REQUIREMENT

Individual shareholders/unit owners are only eligible for the abatement if they occupy their apartments as primary residents. Thus, the mix of primary/non-primary residents in a building (particularly in condos) will impact your decision whether to pay the employees prevailing wages and retain eligibility for the abatement or to maintain current wages and forego the abatement.

Co-ops receive an abatement on their tax bill which boards must distribute to eligible shareholders. Many boards then levy an assessment equal to the abatement to increase revenue at no added out of pocket cost to shareholders who receive the abatement. Condo unit owners receive the abatement directly since they pay their property taxes individually.

We note that the new law also has put the burden of proving primary residence on the shareholder/unit owner and not the board or managing agent. New regulations to effectuate this change are also forthcoming.

ANNUAL CERTIFICATION REQUIREMENT

All co-ops/condos will be required to file an annual certification that they are paying prevailing wages for the building to remain eligible for the abatement. The Department of Finance (DOF) is working

on new rules surrounding the certification and annual registration process. It also has indicated that a co-op/condo may elect not to pay prevailing wage in 2022, and thus, be ineligible for the abatement, but start paying prevailing wage on July 1, 2023, after which the co-op/condo would again be eligible for the abatement. That decision must be made before February 15, 2023, the deadline to file for the abatement and file the certification.

NEXT STEPS FOR BOARDS NOT ALREADY PAYING PREVAILING WAGE

The decision for your board will be complicated and different for each building. FirstService Residential is working to obtain all the information necessary for your board to be able to make its decision. In the meantime, our financial management team is preparing a second budget column for 2022 for you to consider. One budget will be based on maintaining the current wages and losing the benefit of the abatement, the other on implementing the prevailing wage and retaining the abatement.

There are a number of unanswered questions on details of the law and FirstService Residential is working closely with the Real Estate Board of New York (REBNY) to obtain answers. Michael Wolfe, president of property management at FirstService Residential, is also president of REBNY's Residential Management Council. Ben Kirschenbaum, our general counsel, is also a member of the REBNY Council. Both are actively communicating with DOF regarding the promulgation of the new rules to enforce the changes in the law.

Please contact your property manager should you have any questions.

Cooperative and Condominium Tax Abatement

The New York City Department of Finance (DOF) has established the Cooperative and Condominium Property Tax Abatement program for shareholders and unit owners that meet certain criteria. To be eligible in a co-op or condo already qualified for the abatement program, shareholders/unit owners must meet the following requirements:

- The co-op or condo unit must be the owner's primary residence.
- The apartment must have purchased on or before January 5, 2022 to be eligible for the upcoming 2022–23 tax year which will begin on July 1, 2022.
- Owners cannot own more than three residential units in any one development.
- New condo owners must have filed a Real Property Transfer Tax (RPTT) form or deed with the Division of Land Records (ACRIS).
- Units owned by a trust are eligible only if the unit is the primary residence of the beneficiary of the trust, trustee or life estate holder. All beneficiaries must have the unit as their primary residence to be eligible for the abatement.

Not eligible are:

- Units owned by an LLC.
- Units held by sponsors or their successors in interest.

As your managing agent, each year FirstService Residential is required to report new ownership, changes in residency status, and any other ownership changes (i.e., trust transfers, addition/removal of owner or shareholder from stock and lease or deed). Eligibility of shareholders and unit owners is subject to review by the DOF annually. FirstService Residential distributes a notice each year to all shareholders/owners in buildings previously enrolled in the abatement program, as well as buildings registering for the first time, to ensure that this information is collected and submitted to DOF.

WHAT DO SHAREHOLDERS/UNIT OWNERS NEED TO DO?

Shareholders/unit owners who meet the following criteria should respond via the FirstService Residential online portal by **December 31, 2021**:

- Purchased after January 5, 2021.
- Had a change in primary residence status since January 5, 2021.
- Had a change in ownership (i.e., transfer to a trust, addition or removal of an owner, name change) since January 5, 2021.
- Did not previously receive the tax abatement on your maintenance bill during 2021 (co-ops) or on your most recent tax bill (condos).
- In a building eligible for the abatement for the first time (e.g., expiring 421a, 421g or J51 abatements are expiring)

Shareholders/unit owners do not need to respond if they:

- Purchased their apartment prior to January 5, 2021,
- Received the abatement in 2021, and
- Continue to be a primary resident.

PROTESTING REAL ESTATE TAX ASSESSMENTS

Premier tax certiorari services available for clients

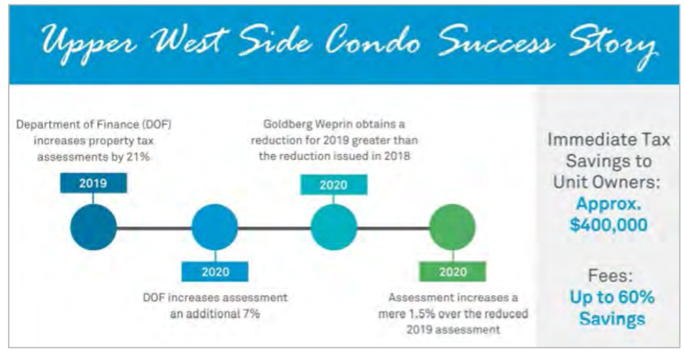
FirstService Residential strives to provide unmatched value to our clients by using our purchasing power to obtain opportunities for better services at lower prices. Among the many value-added services our clients can benefit from is an arrangement with the prominent law firm of Goldberg Weprin Finkel Goldstein LLP to obtain real estate tax certiorari services.

Goldberg Weprin can obtain significant reductions in property tax assessments resulting in substantial real estate tax savings. Better yet, our clients can obtain this legal service at rates that are 40–50% lower than fees generally charged by competing firms.

Whether an offer of reduction is reasonable and should be accepted involves an analysis that only the tax certiorari attorneys can properly provide.

Now is the time to consider making a change. Property tax assessments for the 2022/2023 tax year will be released on January 15, 2022, and Goldberg Weprin is available to prepare the protest application for filing by March 1.

To help your board understand New York City's byzantine and opaque property tax system, Goldberg Weprin will educate you on how the city determines assessments and guide you through the appeal process. Additionally, if retained to represent the building, Goldberg Weprin will provide a semi-annual report on the status of the tax assessment/protest.



Each spring, after the tentative assessment is released and the initial protest is filed, you will receive an initial report. Each fall, when the budget process starts for most buildings with a calendar year, you will receive another update to help with planning. If your building has a different fiscal year, the reporting timetable can be adjusted accordingly.

This two-minute video further explains the process and potential for savings. Please speak with your property manager if you are interested in this service.

NYC TAX COMMISSION'S DAVID DUNAY JOINS GOLDBERG WEPRIN

David Dunay, former Director of Appraisal and Hearings at the New York City Tax Commission, has joined Goldberg Weprin as a real estate valuation and assessment analyst in the firm's tax certiorari department. As the "top tier" hearing officer at the Tax Commission and manager of 25 other hearing officers, Mr. Dunay reviewed all high-value applications, reconsideration cases and complex valuation matters. At Goldberg Weprin, Mr. Dunay will personally review each case and add his understanding—obtained during over 30 years with the Tax Commission—to the argument to reduce the assessment.

"I attended hearings David held, and he was the most knowledgeable of the hearing officers," says Ben Kirschenbaum, vice president and general counsel at FirstService Residential. "All the city's top tax certiorari firms competed for him. The fact that David could have gone to any firm speaks to Goldberg Weprin's reputation with someone who knows the business."

Katharine Finch, head of Goldberg Weprin's tax certiorari department, said, "David's level of insight and expertise in property assessment review is unmatched and a true commodity. His input will enhance our firm's long tradition of providing the best advice, direction and results for our clients in this specialized area of law."

"This is an added value for buildings as they consider the opportunity to change firms," adds Kirschenbaum. "With Katy and David, we have excellent resources for our boards to speak with."

Client Financial Success Stories

CASH MANAGEMENT

FirstService Financial proactively evaluates our clients' reserve portfolios to maximize interest income on deposit balances with FDIC-insurance coverage. With billions in deposits placed at commercial banks specializing in real estate, we are able to negotiate favorable rates for our clients. In 2020, our team helped FirstService Residential clients generate over $5 million in additional interest income. Here are some recent success stories:

- Manhattan Condo — Moved $2M into higher-yielding banks to generate an ***additional $5,500 per year***
- Bronx Co-op — Reallocated $7M in brokerage cash to generate an ***additional $28,000 per year***
- Bronx Co-op — Moved net refinance proceeds and matured CDs into new investments to generate an ***additional $18,000 per year***
- Flushing Co-op — Moved $4.4M from brokerage cash to generate an ***additional $17,000 per year***
- Manhattan Co-op — Reinvested matured CDs into new investments to generate an ***additional $8,400 per year***
- Queens Co-op — Moved all reserves into cash management program to generate an ***additional $6,700 per year***

- Manhattan Co-op — Moved $1.3 in brokerage cash into the program to generate an ***additional $5,300 per year***
- Manhattan Condo — During the annual financial check-up, discovered a way to generate an ***additional $3,000 per year***

LENDING

FirstService Financial negotiates loans for our clients that yield lower interest rates and better terms than buildings can typically obtain on their own. Case in point: The FirstService Financial team closed five cooperative loans for our clients in November at $20 million in debt. The average negotiated interest rate of 2.95% is .25%-.50% lower than the industry average due to our team's extensive lending relationships with top-tier institutions. ***This equates to more than $500,000 in annual interest savings for our clients.***

VIDEO CONFERENCE MEETINGS

VIRTUAL SHAREHOLDER MEETINGS PERMITTED IN PERPETUITY

In November, Governor Hochul signed into law an amendment to the Business Corporation Law making permanent the authorization to hold shareholder meetings using video conferencing. The emergency authorization to do so was set to expire on December 31, 2021. With this new law, the only limitation on holding meetings in this manner would be if the certificate of incorporation or the by-laws contain a prohibition, something that is very unlikely.

Therefore, for most, if not all cooperatives, virtual video conference meetings are permitted in perpetuity. However, we recommend confirming with your counsel that there are no restrictions in the cooperative's certificate of incorporation or by-laws.

Fannie Mae's New Cooperative and Condominium Apartment Loan Requirements

As we previously communicated, Fannie Mae has issued a new set of requirements to all lenders providing loans to unit owners in condo and co-op projects on or after January 1, 2022. These were contained in Lender Letter (LL-2021-14), and while described as "temporary," are in effect until further notice.

Projects with significant deferred maintenance or that have received a directive from a regulatory authority or inspection agency of unsafe conditions will not be eligible for loans. The projects will remain ineligible until the required repairs are made.

There are many requirements for lenders to assure a project is eligible for loans. The most critical is that there must be a 10% budgeted reserve unless the lender submits a request for an exception and demonstrates that there is a reserve study and sufficient reserves. It is not clear if exceptions are likely to be granted.

FirstService Residential understands that our clients have many questions:

- Does the board have to adjust the budget for 2022 to include a 10% reserve?
- If not, will the building be eligible for an exception?
- What documentation will we need to provide to lenders?
- Will these requirements impact co-ops seeking to refinance their underlying loans?

We have yet to get clear answers to the these and many other questions. We expect that over the next few months, purchasers obtaining financing and owners seeking to refinance will have their lenders seeking significantly more information as part of the loan review process. We note that there are lenders who do not use Fannie Mae, and these options will become more attractive.

FirstService Residential and many others in the industry are seeking more information, but clear guidance is not yet available. Some of you may recall that approximately 10 years ago Fannie Mae instituted rules regarding condo loans that caused similar concern and uncertainty. While there were some issues on loans, the industry adjusted without chaotic disruptions. We are hopeful it will be similar this time.

As always, we will keep you informed as we learn more.

'TIS THE SEASON

A MESSAGE TO OUR BOARD MEMBERS AND BUILDING OWNERS

Many of our clients have inquired about their desire to convey appreciation in the form of a monetary holiday bonus to the associates dedicated to their account. While it's never suggested or required to acknowledge the efforts of your building staff and management team, we are grateful for any acknowledgment you deem appropriate.

LL152 DEADLINE EXTENSION FOR COMMUNITY DISTRICTS 2, 5, 7, 13 AND 18

The NYC Local Law 152 (LL152) Gas Piping Inspection deadline for Community Districts 2, 5, 7, 13 and 18, previously due December 31 of this year, has been extended. Buildings in these districts now have until June 30, 2022 to file. Failure to submit by the extended due date can result in a civil penalty of $5,000.

LL152 requires periodic inspection of gas piping systems by a licensed master plumber (LMP) or other qualified provider at least once every four years. The city defines building gas piping systems as all exposed gas piping from point of entry into the building. This includes building services meters and all gas piping in public areas, hallways, corridors, boiler rooms and mechanical spaces. This does not include gas piping within apartments.

If an inspection reveals any unsafe or hazardous conditions, the LMP must immediately notify the building owner, the utility providing gas service to the building, and DOB. The owner must take immediate action to correct the conditions in compliance with NYC Construction Codes and any required permits.

Click here for our recent article about LL152.

UPCOMING INSPECTION CYCLES

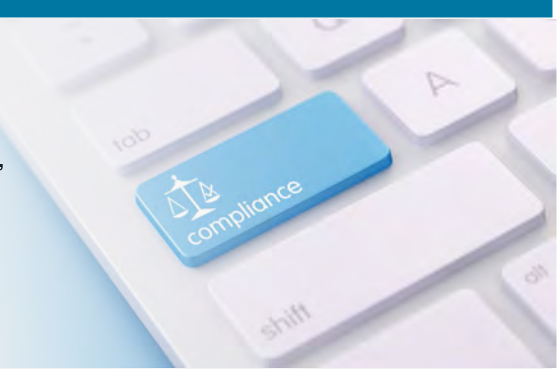
The rules implementing LL152 breakdown the inspection cycle by community districts:

DATE RANGE FOR INSPECTION BUILDINGS IN COMMUNITY DISTRICTS	
Jan 1 – Dec 31, 2021 Extended until June 30, 2022	Districts: 2, 5, 7, 13, and 18 in all boroughs
Jan 1 – Dec 31, 2022	Districts: 4, 6, 8, 9, and 16 in all boroughs
Jan 1 – Dec 31, 2023	Districts: 11, 12, 14, 15, and 17 in all boroughs
Jan 1 – Dec 31, 2024	Districts: 1, 3 and 10 in all boroughs
Subsequent inspections must be completed no later than Dec 31 within every fourth calendar year thereafter.	

COMPLIANCE UPDATE

ANNUAL BED BUG REPORTING

As your managing agent, FirstService Residential is required to submit an annual bed bug report for your property by December 31, 2021. Our in-house Compliance Department will handle the filing for each building. For properties with multiple addresses, the New York City Department of Housing Preservation and Development (HPD) requires that we report this information individually for each Multiple Dwelling Registration (MDR) number.



Guide to Building Energy Efficiency Ratings

Buildings 25,000 sq. ft. and above were required to post their latest Building Energy Efficiency Rating (Energy Grade) near each entrance by October 31 per NYC Local Law 33/18 as amended by Local Law 95/19. Failure to do so will result in a NYC Department of Buildings (DOB) violation and a fine of $1,250.

Energy Grades are intended as a tool to initiate conversation, education and ultimately reduce energy consumption among building residents. As such, posting the building's latest grade prompted a slew of questions from owners, shareholders and residents in many buildings regarding the impact on future assessments, apartment values, quality of life and more.

To support our property managers and boards in responding to these questions, and to ensure accurate information is being communicated, FirstService Residential and FirstService Energy prepared a [Guide to Building Energy Efficiency Ratings], which was provided to your management team to distribute to unit owners, shareholders and residents.

> "This is a first-class package of information put together by FirstService, not only full of relevant information, but also nicely presented. They continue to aid us greatly and it is much appreciated."
>
> **—PETER, BOARD VICE PRESIDENT, ONE LINCOLN SQUARE**

The guide covers:

- How Energy Grades are calculated
- How Energy Grades correlate with the carbon emissions caps mandated by NYC Local Law 97
- How FirstService Energy Report Cards help our clients make informed decisions on projects with the greatest return on investment
- How residents can help reduce the building's energy consumption and emissions

NEW SHAREHOLDER NEWSLETTER

INTRODUCING *FIRST EDITION*

Last month, FirstService Residential introduced *First Edition*, a new bi-monthly newsletter for shareholders, unit owners and residents in our managed properties. The inaugural issue covered:

- Energy Efficiency Letter Grades
- Cooperative and Condominium Tax Abatement
- Decoration and Alteration Procedures
- How to Register for ClickPay, eStatements and your Building's Resident Portal
- And more...

We created *First Edition* to help to reduce the number of routine questions your board, management team and our Customer Care team receive from residents. Our goal is to free up your management team's time so they can address more pressing management tasks for your property.

"Excellent newsletter packed with useful info! I was delighted to see this being circulated. Thanks for trying to keep us informed in so many ways."

— Board Member, 250 West 94th

The Clock is Ticking to Local Law 97 Compliance

FirstService Residential hosted a seminar at the 2021 Cooperator Expo titled "The Clock is Ticking: Your Building's Path to Local Law 97 Emissions Compliance." If you missed it, you can still learn from our in-house experts by watching a live recording of the session here.

WHAT WE COVERED

Buildings need wide-ranging support to navigate the complex requirements, strict emissions targets and narrow timelines established by NYC Local Law 97. Most buildings will require a deep energy efficiency retrofit or must follow an alternative path to avoid costly fines if they are unable to comply. During the seminar, our experts guided board members on how to succeed in:

- Prioritizing and implementing retrofit projects that maximize emissions reductions
- Securing incentives and favorable financing terms to cover associated costs
- Hiring qualified contractors to create a project plan with minimal disruption to residents
- Implementing low-cost, high-reward strategies to optimize building performance
- Driving behavioral changes among residents to help reduce emissions

COMPLIANCE UPDATE: NEW ELEVATOR CODE CHANGES

Newly approved changes to the elevator code take effect on January 1, 2022 and may impact your building. To educate our property managers on the changes, FirstService Residential held a webinar in December co-hosted by Stephanie Cardello, vice president of compliance at FirstService Residential, and Robert Castellano, vice president of VDA Associates, a leading elevator consultant.

The specific changes include:

PERIODIC INSPECTIONS

- Periodic inspections will now be the responsibility of the building owners and must be scheduled with an independent third-party witnessing company.
- Inspections will no longer be performed by private elevator agency directors/inspections acting on behalf of the DOB.
- Periodic inspections must be performed at a minimum three months from the date of the CAT1 or previous periodic inspection. Initial periodic inspections on new installations must be performed in the calendar year following the final acceptance test.
- Filing of periodic inspections in DOB NOW must be completed within 14 days of the inspection date.
- All defects noted in the periodic inspection report must be corrected within 90 days after the inspection.
- An Affirmation of Correction (AOC) must be filed within 14 days after the date of correction(s).
- **Buildings should plan for these additional inspections/costs associated with testing (similar pricing to CAT1 inspections).**

CAT1 & CAT5 INSPECTIONS

- Completed reports must now be filed within 21 days of the test.
- All defects found in the CAT1/CAT5 inspections must be corrected within 90 days after the test date.
- An AOC must be filed within 14 days of the date of correction.

Weighing the Risk

Flood Insurance for Condominium & Cooperative Properties

Within FirstService Residential's New York portfolio, we received notices of flood claims from more than 50 buildings that experienced severe property damage following Hurricane Ida. Those claims included buildings with a flood insurance policy, as well as many building that did not.

Board members and building owners located in low-risk flood zones typically choose not to purchase a flood insurance policy because there is no requirement to do so.

"Every building needs flood insurance," says Sean Kent, senior vice president of insurance at FirstService Financial. "Considering that more than 25% of flood claims come from properties located outside of a high-risk flood zone, it's understandable those properties are less likely to have adequate flood insurance. We always advise building owners and board members to invest in quality coverage as emergency weather events are increasingly more common."

RISK RATING 2.0: FEMA RECALCULATES FLOOD INSURANCE PREMIUMS

FEMA recently announced changes to the way the National Flood Insurance Program (NFIP) calculates flood risk and insurance rates. The new methodology, known as Risk Rating 2.0, will no longer use flood zones to calculate flood insurance rates. Instead, calculation will consider the building's foundation and type of structural system (i.e., concrete, steel, timber), elevation, distance from a body of water, the area's historic flood frequency and building replacement costs.

The goal of these changes is to more fairly determine flood insurance rates. Effective October 1, 2021, new and existing NFIP policyholders are subject to the Risk Rating 2.0 methodology. While a majority of policyholders across the country will see a decrease in their annual premiums, most condominiums and cooperatives in New York City will be paying more.

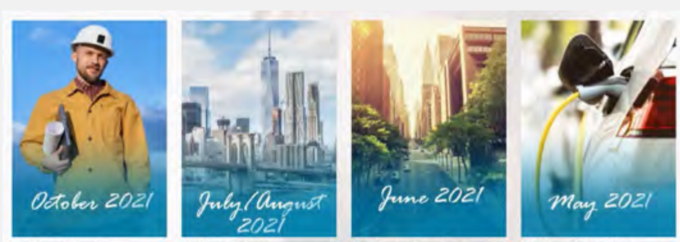
It's important to conduct an annual audit of insurance coverage to verify that all of your information and property valuations are current and complete. Boards and owners should not wait until after a disaster to find out that their property valuation does not include costly upgrades or improvements recently made to the building.

Click here to read more.

NEWSLETTERS ONLINE

FOR MORE *FIRST IMPRESSIONS*...

Looking for past issues of *First Impressions*, our newsletter for board members and owners of properties managed by FirstService Residential? Access our newsletter library here.



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NEW CLIENTS

Welcome

to the FirstService Residential Family

262 MOTT STREET
Manhattan
42 units

ROCKEFELLER APARTMENTS COOPERATIVE
17 W. 54th St & 24 W. 55th St
Manhattan
133 units

2211 3RD AVENUE
Manhattan
108 units

401 RUTLAND ROAD
Brooklyn
22 units

2338 2ND AVENUE
Manhattan
30 units

329 PLEASANT AVENUE
Manhattan
20 units

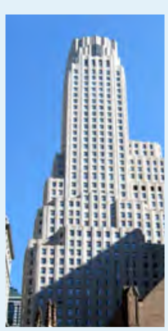
368 THIRD AVENUE*
Manhattan
100 units

247 E 117TH STREET
Manhattan
40 units

THE POWERHOUSE CONDOMINIUM
2-17 51st Ave, Long Island City
177 units

◀ ONE WALL STREET*
Manhattan
566 units

128 WEST 23RD ST* ▶
Manhattan
30 units



The greatest compliment we can receive is the referral of new business.

Thank you to our board members, building owners, residents and professional industry partners for having the confidence in FirstService Residential to recommend our company to your neighbors, friends and clients.

**New development consulting and management*

Coming in January

Annual Safety Notices

As your managing agent, each January FirstService Residential is required to distribute notices to each apartment unit comprising the following two components:

- A request to confirm occupancy for lead paint inspections and window guard requirements, and
- A building-specific fire safety plan and general emergency preparedness information developed by the Fire Department of New York (FDNY).

It is important that residents are aware of the proper safety protocols in the event of a fire at the building. In our notice, we encourage all residents to familiarize themselves with the FDNY's Emergency Fire Safety and Evacuation Instructions to know when to evacuate and when to stay in the apartment. A copy of this document can be found on your building's Resident Portal.

To further ensure proper protocol, new FDNY rules now require that notices are posted inside apartment entrance doors. Owners are required to inspect each unit at least once every three years to confirm placement of the Fire Safety Notice and to replace any missing or damaged notices.

For cooperatives and condominiums, the FDNY requires the shareholder or unit owner to either post the notice, or sign a written certification that includes an FDNY statement on the importance of the fire safety notice and confirm that the notice has been received.

STAY CONNECTED

FirstService RESIDENTIAL

[Click here to read our latest industry-related articles.]

We welcome your feedback. Email us at news.ny@fsresidential.com. **www.fsresidential.com/new-york**