

# IMPACT

## BUILDING & REALTY NEWS

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### THE HANLEY REPORT

Networking in A Unique Location Produces Positive Results

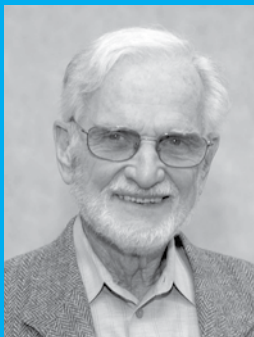
By JEFF HANLEY  
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### CO-OP CONDO CORNER

Burning Money – You May Be Doing It Without Even Knowing How!

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Save Your Records

By KENNETH J. FINGER, ESQ., CARL L. FINGER, ESQ., and DANIEL S. FINGER, ESQ. Finger & Finger, Chief Counsel, Building & Realty Institute (BRI) see page 5



## Insurance Premiums – They're Up, Up and Away

By Jason Schiciano and Ken Furst, Co-Presidents, Levitt-Furst Associates Ltd.

YONKERS—Too bad the “Up, Up and Away” phrase in the title of this article doesn't refer to a ride in a “beautiful balloon” (as in the 1967 rock song from The Fifth Dimension).

For about 14 months now, construction contractors and real estate

owners (condominiums, cooperatives, apartment and office building owners) have endured increasing insurance premiums.

Some have just experienced their second consecutive renewal premium increase, leaving them to ask: “Will insurance premiums continue to rise like an untethered balloon?” The question is understandable, given almost 10

years of stable or declining premiums. The answer to the question will come in a moment. But first, another question – why are insurance premiums continuing to rise?

### The Factors

There are several reasons, some common to all industries (including **Continued on page 4**)

### Analysis:

## Modest Economic Growth Is On the Horizon

By Jeff Hanley, IMPACT Editor

WHITE PLAINS—The economy of the Westchester and Mid-Hudson Region will grow by no more than two percent in 2013, according to a well-known analyst.

Kevin Bannon, chief investment officer for Highmount Capital, delivered that message while speaking at the Jan. 17 General Membership Meeting of The Building and Realty Institute (BRI).

“There are not a lot of answers here regarding what is broken,” Bannon said.

Bannon said that the region's business community has been so scarred as to what happened in 2008-2009 — the beginning of ‘The Great Recession’—that members of the business sector are still expressing conservative approaches due to the desires of “just wanting to feel safe.”

“We all have run to one side of the boat,” he said. “The corporations are sitting on piles of cash, but they are filled with uncertainty. We have to gear ourselves up for a different kind of growth - at most, two percent per year.”

Bannon, in further examples of his analysis, said that:

- The Federal Reserve is doing all it can to spark the economy, but the challenge is that it cannot make the banks lend money to the business sector, as well as to individuals.
- Consumers are spending more, but businesses are leaning toward more conservative approaches.
- The region is still several million jobs below the level that it was at prior to the start of the recession in 2008-2009. As a result, more job growth is a necessity.
- Wages in the region are not growing.
- Looking toward Washington for help will not produce positives and the related spark to the economy.
- But, Bannon stressed that there are positives. One is the effort of the Fed-

eral Reserve to “rev up” the economy by dropping interest rates to stimulate economic growth, including the creation of more jobs.

“Ben Bernanke (chairman of The Federal Reserve) is doing all that he can (to produce better economic conditions),” Bannon said. “He seems to be succeeding in lowering Interest Rates, and, accordingly, stimulating growth in the housing market. Some of the actions are starting to work. National housing starts are up, so the reserve

seems to be having success in getting the housing market going.”

Another positive cited by Bannon was the return of consumer confidence in the region and in Westchester County.

As for the investment sector, Bannon said that “going forward, I give a huge edge to stocks and bonds.”

More than 70 BRI members attended the event at The Crowne Plaza Hotel in White Plains. The meeting served as the association's annual Economic Symposium.

## AOAC Preparing for Upcoming “Rent Guidelines Board Season”

By Jeff Hanley, IMPACT Editor

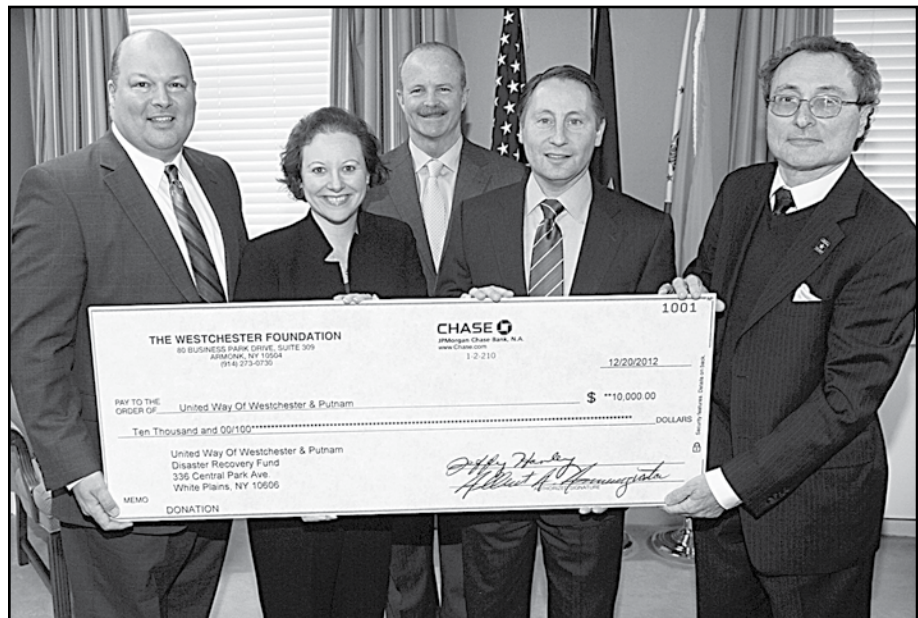
WHITE PLAINS —The Apartment Owners Advisory Council (AOAC) has begun its preparations for the realty industry's testimony on rent guideline increases for rental apartment buildings affected by The Emergency Tenant Protection Act (ETPA).

The AOAC held a Membership Meeting on Feb. 14 to review the orga-

nization's preparations and strategies on the guidelines process. The meeting allowed members to voice their input on how the AOAC should prepare for the upcoming Public Hearings and Deliberations of The Westchester County Rent Guidelines Board, officials said.

The board is the entity that annu-

**Continued on page 4**



**HELPING THOSE IN NEED**—The Westchester Foundation of The Building and Realty Institute (BRI) recently issued a \$10,000 grant toward Westchester County's recovery and relief efforts in the wake of Superstorm Sandy. The Disaster Recovery Fund, announced recently by Westchester County Executive Rob Astorino, was established in partnership between Westchester and The United Way of Westchester and Putnam. Pictured during the Jan. 14 presentation ceremony are, from left to right, Michael Beldotti, president, BRI; Naomi Adler, president and chief executive officer, United Way; Steve McCulloch, board member, BRI; Astorino; and Albert Annunziata, executive director, BRI. The Westchester Foundation is the endowment arm of the BRI. Photo by Barbara Hansen

# Grants of \$25,000 Available to First-Time Homebuyers in Westchester County, Local Association Announces

WHITE PLAINS—Community Housing Innovations, Inc. (CHI) recently announced its receipt of \$400,000 in Down-Payment Assistance from the New York State Affordable Housing Corporation.

Unlike previous awards that limited recipients to 80 percent of the Area Median Income, the new eligibility standards are higher. Families may now earn as much as 90 percent – or \$96,600 a year – for a family of four, CHI said.

“An income of nearly \$100,000 per year sounds like a lot of money,” said CHI Executive Director Alexander Roberts. “But when you live in Westchester, it doesn’t

qualify you to purchase much housing at all. Down-Payment Assistance of up to \$25,000 can mean the difference between renting and buying for many families.”

In 16 years, CHI has provided \$11 million in Down-Payment Assistance Grants and free counseling to over 450 first-time homebuyers with incomes up to 80 percent of the

Area Median Income, officials said.

But, officials added, thanks to the award of \$400,000 from the New York State Affordable Housing Corporation, the non-profit agency is expanding its First-Time Homebuyer Assistance Program, allowing

**With the new award, the CHI Homebuyer Assistance Program offers grants of up to \$25,000 each for households at, or below, 90 percent of the Area Median Income, with the actual amount based on the need of the applicant.**

“higher-income people” to participate more consistently. The move to assist higher-income households is part of an ongoing effort by the organization to increase Workforce Housing Options and to recognize an underserved market – namely, first-time homebuyers making too much money to be considered low-income, but who are still unable to afford the expen-

sive housing market in Westchester County, officials said.

For example, CHI used the case of Cristina Peralta, a personal banker working at a Yonkers branch. Peralta just closed on a Yonkers co-op using a \$19,000 down payment assistance grant from CHI.

Peralta, who lived in the Bronx, now lives 10 minutes from her job, officials said.

“The free counseling from CHI is just as important as the money,” Peralta said.

With the new award, the CHI Homebuyer Assistance Program offers grants of up to \$25,000 each for households at, or below, 90 percent of the Area Median Income, with the actual amount based on the need of the applicant. Each grant will include a mortgage with a recapture obligation balance that will decline to zero after 10 years, CHI officials said.

To qualify, the property must be within Westchester County and may be a house, co-op or condo. Reflecting the state’s commitment to improve existing housing, at least 51 percent of the value of the grant must

be applied to renovation work to restore the home and implement energy-efficiency initiatives, CHI officials added.

In order to be eligible for the grants, prospective homebuyers must attend a First-Time

Homebuyer Orientation Seminar and complete an application documenting that their overall gross household income does not exceed the maximum income guidelines, CHI spokesmen added.

## AOAC Preparing for Upcoming “Guidelines Season”

*Continued from page 1*

ally decides on guidelines for lease renewals affected by the ETPA. Those guidelines are decided upon after the board conducts its Public Hearings and Deliberations.

The board released its schedule of Public Hearings and Deliberations for 2013 at its Jan. 23 meeting at the offices of the New York State Homes and Community Renewal Agency (HCR) in White Plains. The schedule is below, with locations to be announced.

The board’s decision will affect rent adjustments for one or two-year leases which begin between Oct. 1, 2013 and Sep. 30, 2014.

### The Vital Needed For Participation

“Every year, the AOAC highlights the fact that it is extremely important that owners and managers testify on the continuing increases in costs that the realty sector is facing,” said Carmelo Milio, chairman

of the AOAC.

“We are, once again, continuing to urge our members to attend the Public Hearings and Deliberations and to offer their individual struggles with their day-to-day costs to the guidelines board,” Milio added. “We cannot say it enough – we need the AOAC membership to help us. In turn, the participation of our members will help us help them. A lack of a good turnout from the membership of the AOAC will, without a doubt, hurt the realty industry in this process.”

AOAC officials said that members of the association will receive updates on the efforts of the organization as it continues to prepare for the Public Hearings and Deliberations.

The AOAC represents more than 300 owners and managers of more than 25,000 rental units, association officials added. The AOAC is an affiliate organization of The Building and Realty Institute of Westchester and the Mid-Hudson Region (BRI).

## Insurance Premiums – They’re Up, Up and Away

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both the construction and real estate industry), and others which are industry-specific. The reasons that are common to both construction and real estate insurance include:

- Poor Industry Performance – Hurricane Irene, floods, tornadoes, wildfires, a tsunami – 2011 was a bad year for property/casualty insurers, and a catalyst for premium increases (insurance premiums began rising at the end of 2011).

In 2011, the 108.2 combined ratio posted by the private property/casualty industry was the worst since 2001 [Property-Casualty360.com 4/17/12]. By the way, the combined ratio is a measurement of insurance industry profitability involving claims and expenses relative to premiums. A ratio above 100 is considered a poor result. The combined ratio through nine months of 2012 was 100.9 [Claims Journal 12/31/12], but that tally does not include Superstorm Sandy claims, so it appears that 2012 – even if better than 2011’s abysmal results – will yield another 100+ combined ratio (i.e. poor) result.

- Low Bond Interest Rates – Insurance companies rely on secure, conservative investments, such as bonds, for a significant portion of their income, especially when combined ratio results are poor. By any measure, bond interest rates have

been historically low, resulting in historically low investment returns for insurance carriers.

- Insurance Company Stock Prices – When combined ratios are topping 100 and bond interest rates are historically low, carriers have few alternatives to improve financial results – and their stock prices – besides raising rates, and that’s exactly what’s happened.

For November 2011 to February 2013, the Property & Casualty Insurance Sector Index (comprised of insurance company stock prices including Chubb, CNA, Hartford, Tower, Travelers, and others) is up over 30 percent [CBS Money Watch]! Good if you are an investor in insurance stocks, bad if you are paying higher insurance premiums (as we all are.)

### Specifics

Besides the broad-based explanations noted above, there are also industry-specific reasons for premium increases. In New York, real estate premiums are also being driven by carriers’ requirements to increase the amount for which their property is insured (i.e. the Building Limit or Replacement Cost).

New York construction contractor rates are increasing due to a number of factors, including: continued exorbitant settlements and judgments stemming from Labor Law 240/241;

requirements for contractors to carry \$2,000,000 General Liability Limits (in place of less expensive \$1,000,000 limits previously accepted); and contraction, or in some cases complete withdrawal, of General Liability and Umbrella Liability carriers from the NY construction market. Many contractors have experienced liability insurance premium increases of 20 percent to 100 percent, or more!

So, back to the original question – will insurance premiums continue to rise like an untethered balloon? Unfortunately, it doesn’t appear the balloon will begin falling anytime soon. The insurance market, like other financially-driven markets (e.g. the stock market, bond market, etc.), is cyclical, with rates increasing or decreasing for over-varying periods.

Factors that could trigger rate declines include: carriers’ excess capital and/or sustained improved financial results; economic downturn; changes in laws impacting construction and/or real estate; and, of course, fewer crane collapses and hurricanes.

Unfortunately, pins don’t work on the insurance premium balloon.

**Editor’s Note: Levitt-Fuirst Associates Ltd. is the Insurance Manager for The Building and Realty Institute of Westchester and the Mid-Hudson Region (BRI).**

### Public Hearings

(locations to be announced)

- Monday, June 10, 7 p.m. – Mount Vernon;
- Tuesday, June 11, 7 p.m. – Yonkers;
- Monday, June 17, 7 p.m. – White Plains.
- Deliberations of the Board
- Thursday, June 20, 7 p.m. (in White Plains);
- Wednesday, June 26, 7 p.m. (in White Plains).

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