



STRATEGIC INSPECTIONS

# PROPERTY MANAGER BEST PRACTICES

2023 New York Condo and Co-op Budget Compliance

An important training for property managers and board members outlining 2023 condo and co-op budget requirements, Local Law 97 capital planning, reserves, and lending compliance.

**Presented by Orest Tomaselli, Strategic Inspections**

# CONDO AND CO-OP OPERATING BUDGET FOCUS

**Inflation, Surging Oil Costs, Staffing, Reserves, Deferred Maintenance**

**Increases to Operating Budgets Require Strategic Decision Making**



Energy



Deferred Maintenance



Reserves



## 4-6%

In 2023 most prepared properties will see a minimum of 4-6% increases to operating costs. Some properties will see increases of more than 30%!



# THE COMMON CHARGE INCREASE OUTLINE

Inflation has increased the cost of goods and labor substantially



Financial analysis of amassed capital savings in reserve and operating accounts now required



Increased interest rates slows down sales and makes institutional and residential lending less affordable



Heightened focus on structural and mechanical component condition by lenders



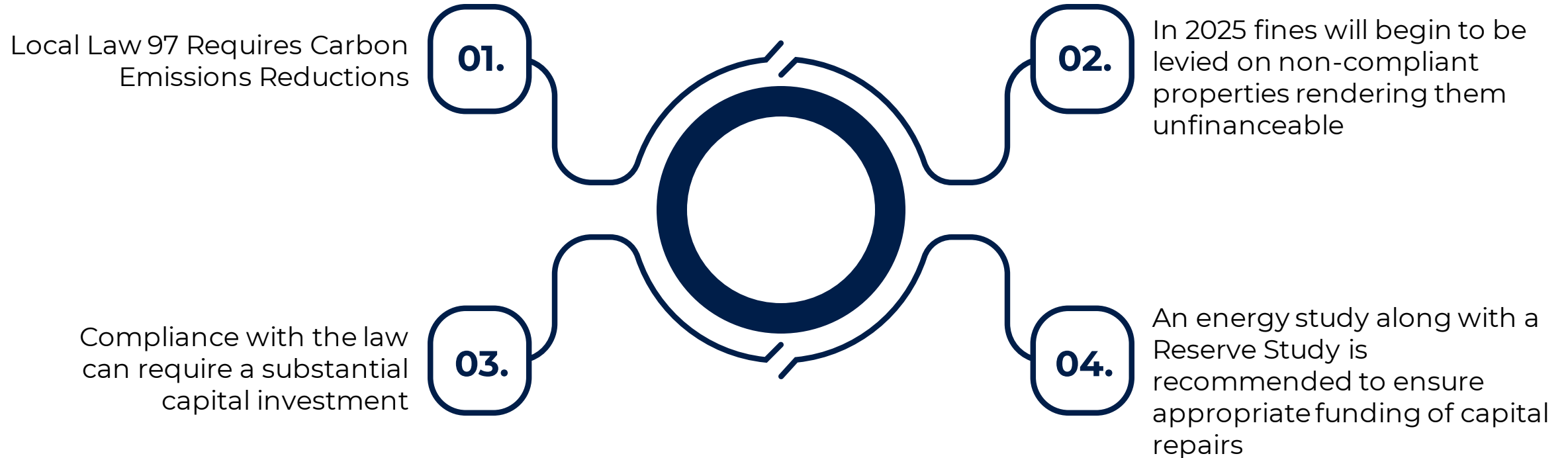
Local Law 97 forcing compliance with carbon emissions reduction requirements



Critical increases to common charges must take place to remain compliant



# LOCAL LAW 97 IMPACTS ON LENDING IN NEW YORK



Strategic Inspections Local Law 97 Reserve Study report ensures that carbon emission upgrades along with capital component repair items are clearly outlined and included in reserve projections. Call us to find out how we're helping boards make prudent decisions.





# DEFERRED MAINTENANCE

## Definition and Guideline

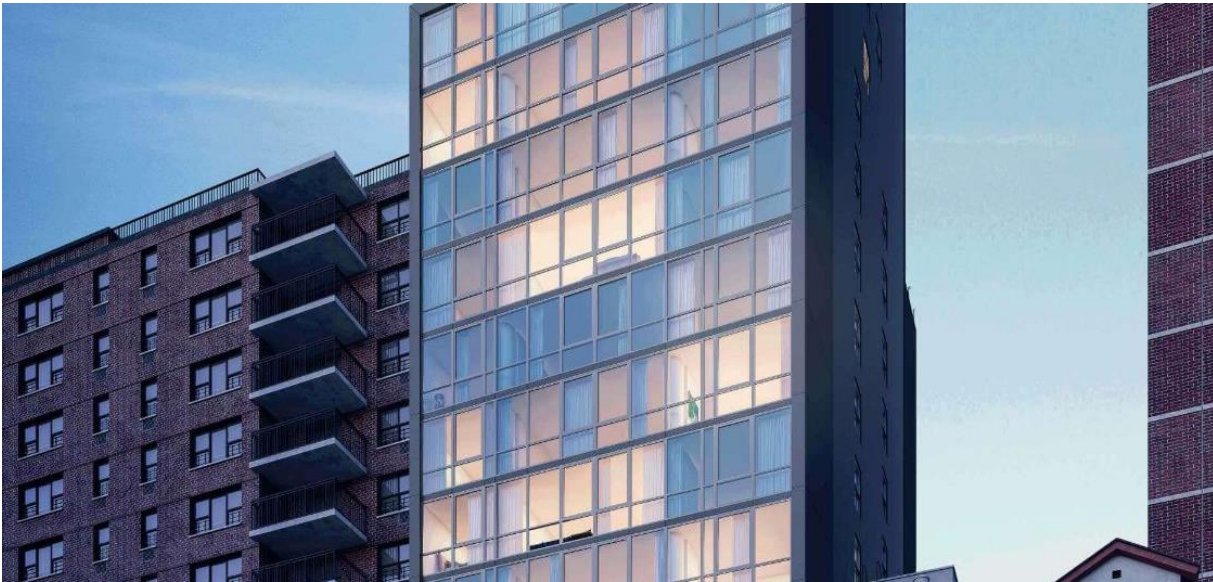
### Definition

DEFERRED MAINTENANCE is the practice of postponing maintenance activities such as repairs on both real property (i.e. infrastructure) and personal property (i.e. machinery) in order to save costs, meet budget funding levels, or realign available budget monies. The failure to perform needed repairs could lead to asset deterioration and ultimately asset impairment. Generally, a policy of continued deferred maintenance may result in higher costs, asset failure, and in some cases, health and safety implications.

## Fannie Mae Issued and Lender Adopted Guideline

Loans secured by units in condo and co-op projects with significant deferred maintenance or in projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions are not eligible for purchase.

- › These projects will remain ineligible until the required repairs have been made and documented. Acceptable documentation may include a satisfactory engineering or inspection report, certificate of occupancy, or other substantially similar documentation that shows the repairs have been completed in a manner that resolves the building's safety, soundness, structural integrity, or habitability concerns.
- › Significant deferred maintenance includes deficiencies that meet one or more of the following criteria: full or partial evacuation of the building to complete repairs for more than seven days or for an unknown period of time.



# 10% RESERVE AND RESERVE STUDIES



A 10% reserve collection must be included in an operating budget for Fannie Mae lending compliance.



A Reserve Study can be utilized to outline component condition and reduce reserve requirements.



Reserve Studies are used to educate boards and clearly illustrate costs.



# TECHNOLOGICALLY ADVANCED REPORTING

## Standardizing Reserve Study Reports

Strategic Inspections limits board member liability by providing concise and accurate answers to the following:



Structural Condition



Special Assessments



Current Capital Analysis



Building Finances



Mechanical  
Component Condition

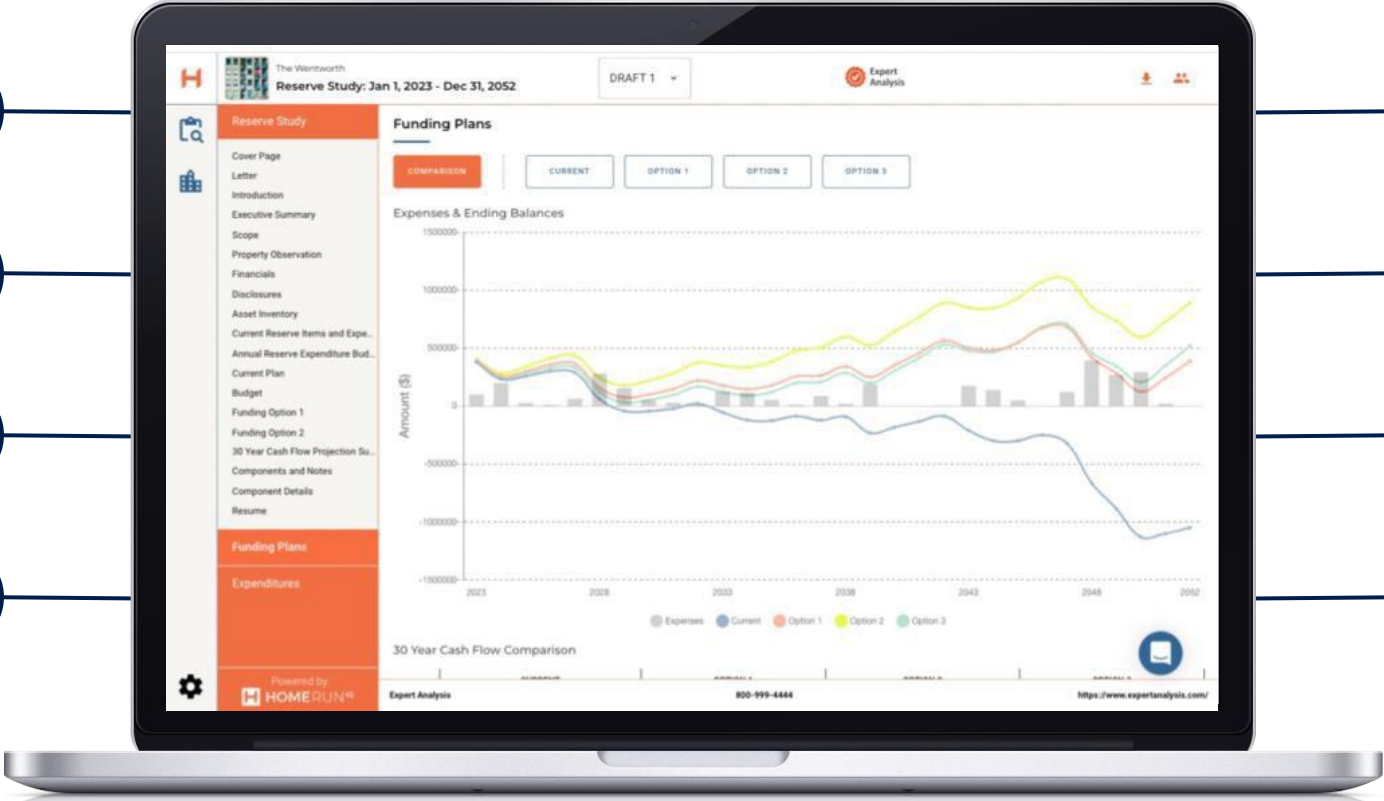


Habitability



# BETTER UNDERSTAND YOUR RESERVE STUDY

- Interactive Features
- Clear Component Useful Life Analysis
- Supporting Informed Decision Making
- Multiple Funding Plans



- Online Digital Delivery
- Password Protected Portal
- Actionable
- Universally Accepted



# ACCESS TO ALL YOUR REPORTS



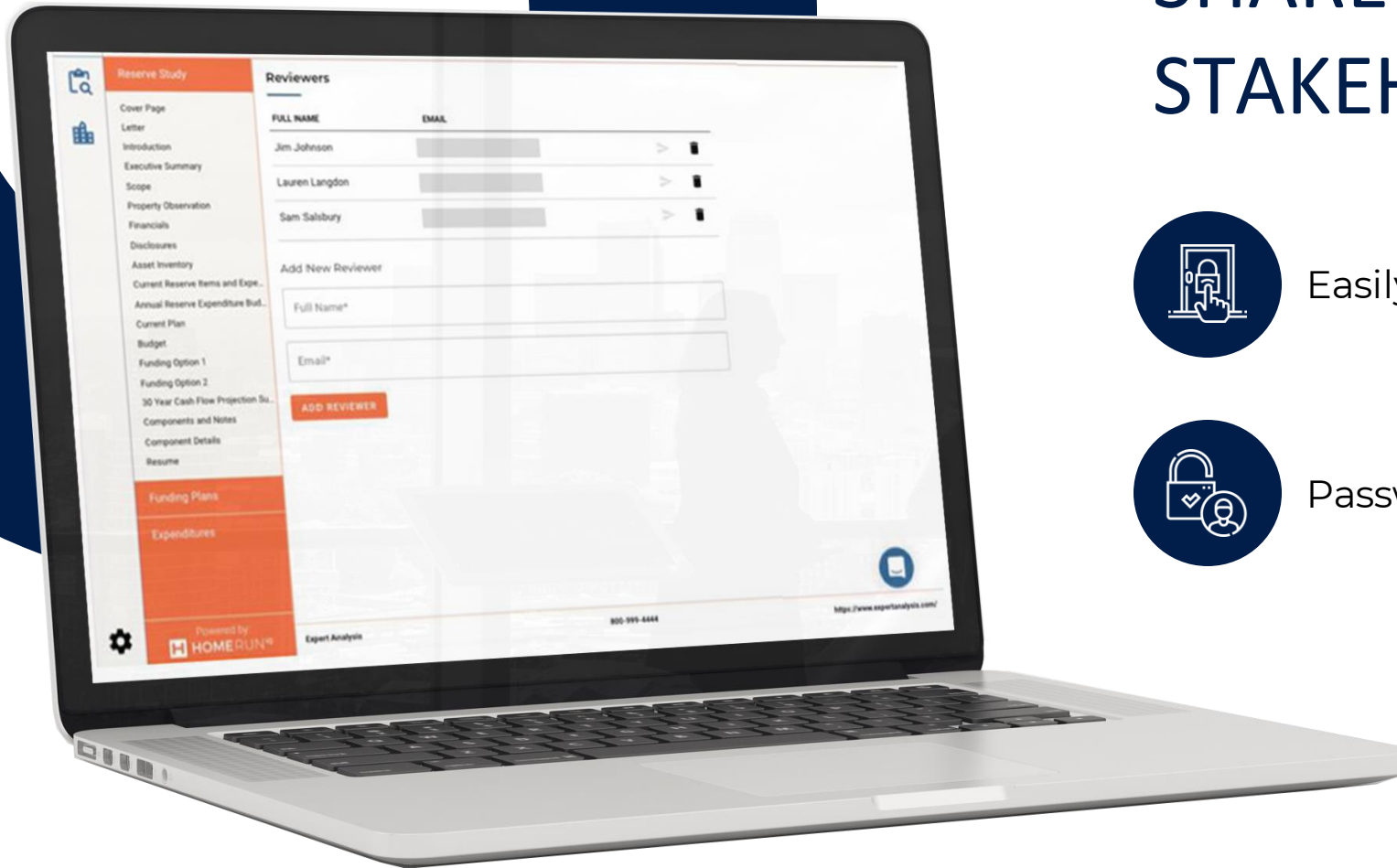
Enables historical review of reserve studies for current and new board members.



Managers have access to reports across their entire managed portfolio.



# SHARE STUDIES WITH KEY STAKEHOLDERS



Easily add or remove report access



Password protected portal



# RESOURCES

## Articles and Links

- › Fannie Mae Lending Guidelines
- › Freddie Mac Guidelines
- › Fannie Mae FAQ

Fannie Mae Lender Letter Temporary Condo and Co-op Guidelines:

<https://singlefamily.fanniemae.com/media/29411/display>

Freddie Mac Bulletin Temporary Condo and Co-op Guidelines:

<https://guide.freddiemac.com/app/guide/bulletin/2021-38>

Fannie Mae FAQ Link

<https://singlefamily.fanniemae.com/media/22326/display>

## Strategic Inspections

### Reserve Study Reports

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