


# 85 Livingston

## 2025 Budget Town Hall

# The Budget Process

- Expenses vs. Revenues
- Every year, the board works with management to compare our budget from the previous year to what actually happened
  - Variables:
    - Taxes
    - Repair costs
    - Utility costs
    - Staff costs
    - Commercial space
- The budget is created based on forward-looking projections, as well as announced and anticipated costs

# Understanding Building Income



**Primary Source of Income**
**Maintenance (76%)**
Building Operations rely on maintenance fees to balance expenses with income.



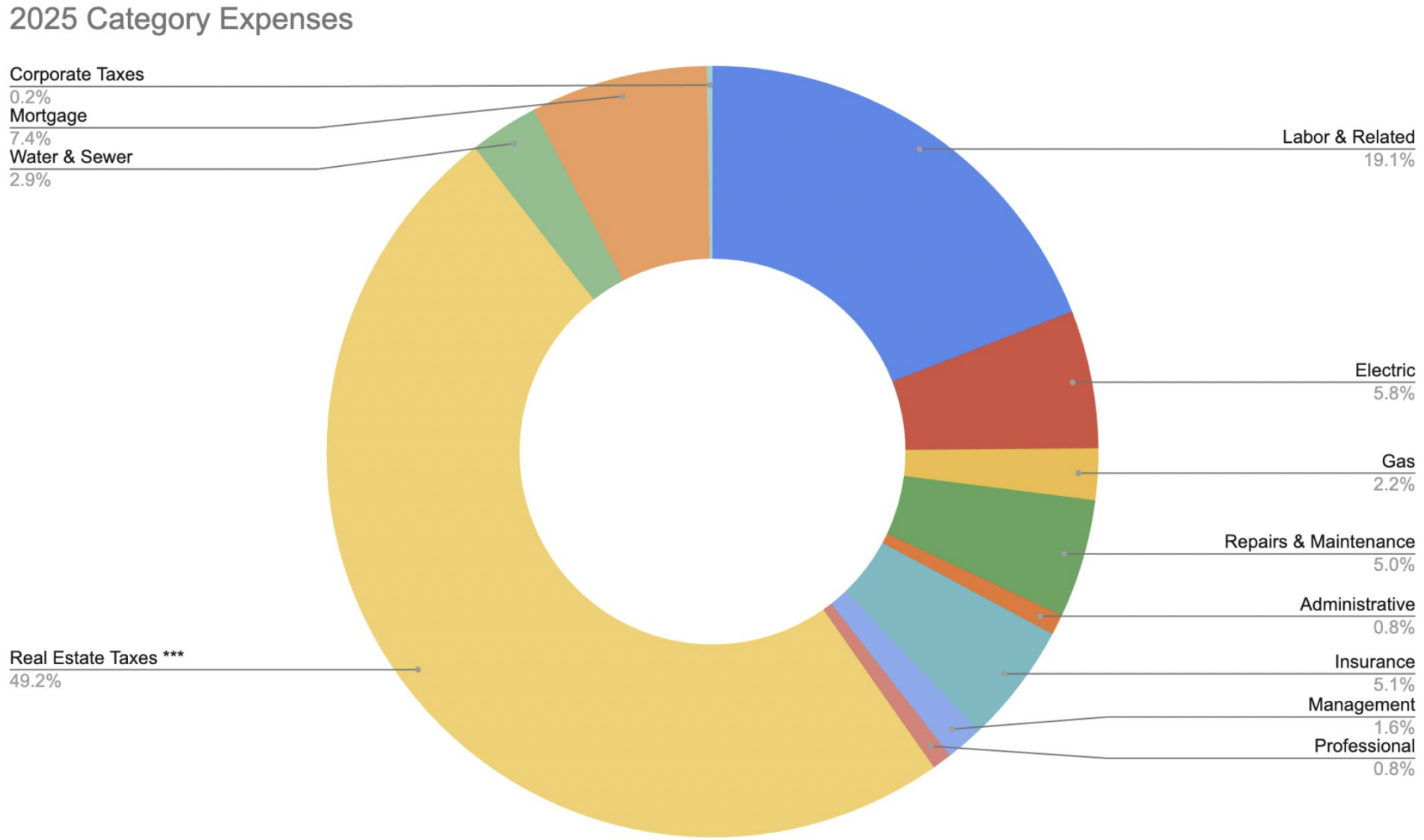
**Secondary Source of Income**
**Commercial Rent (16%)**
Revenue from garage and gym space supports the building's budget.



**Covering Shortfalls**
**Special Assessment**
Temporary income gaps (currently gym vacancy) must be covered by shareholders. *

* I'll get to this shortly ;)

# Understanding Building Expenses



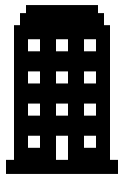
# 2025 Operating Budget

| Category | # 2022 Audited | # 2023 Audited | # 2024 Forecast | # 2024 Budgeted | # 2025 Budgeted | # Percent Diff |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Maintenance | 3,374,547 | 3,641,203 | 3,937,378 | 3,937,378 | 4,331,115 | 10.00 |
| Operating Assessment | 393,581 | 444,589 | 459,983 | 459,983 | 482,982 | 5.00 |
| Special Assessment- Rent Conce: | 292,983 | 299,919 | 300,000 | 300,000 | 294,000 | -2.00 |
| Commercial Income** | 580,990 | 580,990 | 674,184 | 674,184 | 635,176 | -5.79 |
| Commercial Tax Escalation | included | included | 26,405 | 29,719 | 28,338 | -4.65 |
| Storage Income | 30,885 | 36,365 | 31,440 | 31,140 | 32,040 | 2.89 |
| Sublet Income | 38,999 | 64,458 | 39,894 | 26,000 | 35,000 | 34.62 |
| Laundry | - | 5,758 | 2,500 | 2,500 | 2,500 | 0.00 |
| Other Income | 8,217 | 18,155 | 225,564 | 62,140 | 43,140 | -30.58 |
| **Total Income** | **4,720,202** | **5,091,437** | **5,697,348** | **5,529,879** | **5,884,291** | **6.41** |
| | | | | | | |
| **Expenses** | | | | | | |
| Labor & Related | 934,511 | 957,026 | 1,072,755 | 1,073,330 | 1,120,587 | 4.40 |
| Electric | 349,978 | 176,345 | 301,900 | 295,990 | 339,249 | 14.62 |
| Gas | 145,249 | 129,671 | 103,600 | 133,427 | 126,725 | -5.02 |
| Repairs & Maintenance | 367,332 | 297,490 | 395,270 | 289,383 | 292,000 | 0.90 |
| Administrative | 50,497 | 61,527 | 53,610 | 51,020 | 49,820 | -2.35 |
| Insurance | 146,727 | 172,403 | 241,224 | 201,261 | 296,861 | 47.50 |
| Management | 78,750 | 78,750 | 90,000 | 90,000 | 91,313 | 1.46 |
| Professional | 75,565 | 67,872 | 58,530 | 50,500 | 50,500 | 0.00 |
| Real Estate Taxes *** | 2,385,011 | 2,560,073 | 2,727,375 | 2,768,901 | 2,897,129 | 4.63 |
| Water & Sewer | 104,429 | 105,469 | 156,700 | 158,400 | 170,000 | 7.32 |
| Mortgage | 276,075 | 275,374 | 391,375 | 375,198 | 436,799 | 16.42 |
| Corporate Taxes | 10,803 | 12,236 | 14,900 | 8,950 | 13,450 | 50.28 |
| **Total Expenses** | **4,924,927** | **4,894,236** | **5,582,307** | **5,496,359** | **5,884,433** | **7.06** |

# Rationale for Maintenance Fee Increase



**Non-Negotiable Cost Increases**
Taxes, insurance, and labor costs rose sharply, driving up expenses.



**Mortgage Structure Change**
Transition to principal payments added significant costs.



**Balancing the Budget**
Maintenance increase is the only way to address increased costs

# 2024 vs. 2025 Budget Changes

**Real estate taxes** (~50% of expenses)
2024: $2,768,901 → 2025: $2,897,129 (+**$128,228)**

**Labor Costs** (~19% of expenses)
2024: $1,073,330 → 2025: $1,120,587 (+**$47,257)**

**Mortgage Payments** (~7.5% of expenses)
2024: $375,198 → 2025: $436,769 (+**$61,571)**

**Insurance Costs** (~5% of expenses)
2024: $201,261 → 2025: $296,861 (+**$95,600)**

Combined increase: **$332,656** (in key areas reflecting over 80% of the annual budget.

# Cost Saving Measures

Despite the board's has limited control over expenses, we look for opportunities to save money in the below ways



**Rate Negotiations**
Test the market, obtain multiple bids, bulk order when possible



**Preventative Maintenance**
Small problems become big problems.  Address issues early.



**Leveraging Interest Rates**
Opportunities to refinance mortgages and putting building savings in high interest accounts

# Understanding Assessments

- Assessments are not factored into the budget as they are intended for short-term specific projects
- Exception: special assessment which makes up for the lack of income from commercial space



**Building Improvements**
Lobby, resident gym



**Repairs**
Plumbing, electrical, structural



**Regulatory Requirements**
Local laws, efficiency statutes

# When Does the Special Assessment End?

…Soon, but it’s complicated

# Background on Commercial Space

- Rear gym space owned by building and vacant since ~2017
- Significant difficulty in renting
- Front commercial space was not owned by the building
  - Front entrance and storefront off limits to renters limited options
- Two separate deals fell through
- Interest waning
- Worked with several different brokers
- Eventually struck a complex deal with Gym NYC and Front Space

| | Monthly Rent (main space) | Annual Rent (main space) | Monthly Rent (front space) | Annual Rent (front space) | COMBINED MONTHLY RENT | COMBINED ANNUAL RENT | Annual Increase |
|---|---|---|---|---|---|---|---|
| Y1 | $ 19,000.00 | $ 228,000.00 | $ 5,000.00 | $ 60,000.00 | $ 24,000.00 | $ 288,000.00 | 0% |
| Y2 | 19,000.00 | 228,000.00 | 6,000.00 | 72,000.00 | 25,000.00 | 300,000.00 | 0% |
| Y3 | 19,570.00 | 234,840.00 | 7,000.00 | 84,000.00 | 26,570.00 | 318,840.00 | 3% |
| Y4 | 20,157.10 | 241,885.20 | 8,000.00 | 96,000.00 | 28,157.10 | 337,885.20 | 3% |
| Y5 | 20,761.81 | 249,141.76 | 8,240.00 | 98,880.00 | 29,001.81 | 348,021.76 | 3% |
| Y6 | 21,384.67 | 256,616.01 | 8,487.20 | 101,846.40 | 29,871.87 | 358,462.41 | 3% |
| Y7 | 22,026.21 | 264,314.49 | 8,741.82 | 104,901.79 | 30,768.02 | 369,216.28 | 3% |
| Y8 | 22,686.99 | 272,243.92 | 9,004.07 | 108,048.85 | 31,691.06 | 380,292.77 | 3% |
| Y9 | 23,367.60 | 280,411.24 | 9,274.19 | 111,290.31 | 32,641.80 | 391,701.55 | 3% |
| Y10 | 24,068.63 | 288,823.58 | 9,552.42 | 114,629.02 | 33,621.05 | 403,452.60 | 3% |
| Y11 | 24,790.69 | 297,488.29 | 9,838.99 | 118,067.89 | 34,629.68 | 415,556.18 | 3% |
| Y12 | 25,534.41 | 306,412.93 | 10,134.16 | 121,609.93 | 35,668.57 | 428,022.86 | 3% |
| Y13 | 26,300.44 | 315,605.32 | 10,438.19 | 125,258.23 | 36,738.63 | 440,863.55 | 3% |
| Y14 | 27,089.46 | 325,073.48 | 10,751.33 | 129,015.97 | 37,840.79 | 454,089.45 | 3% |
| Y15 | 27,902.14 | 334,825.69 | 11,073.87 | 132,886.45 | 38,976.01 | 467,712.14 | 3% |

The red columns represent the lease they've signed for the rear space.  The blue represents the deal for the frontage. The purple represents the combined lease.

# Gym NYC Lease Agreement



**Rear Space Agreement**
$19,000/month after abatement, replacing a $25,000/month operating assessment.

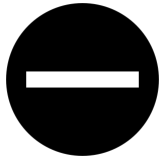


**Front Space Agreement**
Starts at $5,000/month, rising to $8,000/month over four years (5,6,7,8).

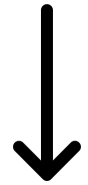


**Tenant-Funded Renovations**
Gym NYC invests significantly, improving plumbing, electrical, HVAC and more

# Financial Impact: Shortfall Overview



**Year 1* Shortfall**
$4,000/month due to initial rent terms



**Declining Shortfalls**
$3,000/month in Year 2,
$2,000/month in Year 3.



**Break Even in Year 4**
Rent escalations eliminate shortfalls, achieving balance.

*Y1 after rent abatement period (first year collecting rent)

# Reduction and Elimination of Assessment

## A Plan for Shareholder Relief



**Current Assessment**
$25,000/month, averaging $100/apartment



**Reduced Assessment in Year 1**
$4,000/month, averaging $16 per apartment



**Assessment Phased Out**
Assessment decreases annually, disappearing by Y4

As for the ‘when’ that will be worked out in January and shareholders will be updated accordingly.

# Open Forum for Questions

