THE NEW LUXURY TAXES

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When history books describe the real estate boom of the mid-2000s, they are likely to mention over-the-top amenities.

In the mid-aughts, New Yorkers went mad for buildings with movie screening rooms, roof decks and pet spas. Buyers forked over six-figure down payments, and renters signed pricey yearlong leases, often assuming amenities were included.

No more.

Amid the hangover of the boom, the next generation of residential buildings will come with a bevy of extra fees and surcharges that New Yorkers aren't accustomed to paying, often incurred to cover the cost of expensive features designed in more prosperous times.

Fees for amenities at rental buildings did exist in some places before, but now are being expanded to include traditionally free features, like roof decks. New condos, meanwhile, are struggling to cover budget shortfalls by implementing transfer fees, special assessments and extra charges for previously included amenities like fitness and party rooms.

"These days, with the economy being what it is, everybody is trying to be a little creative at trying to generate additional revenue," said John Janangelo, president of Bellmarc Realty's property management division.

As amenities became increasingly elaborate during the boom, some rental buildings began charging residents for pools, fitness centers and other big-ticket amenities. Basics, like roof decks, party spaces and children's playrooms, usu remained gratis, however.

Since the onset of the recession, many landlords have had to waive their amenity fees in order to lure renters.

"In this market where people are budgeting their money, it's hard to rent an [apartment] with a $150 monthly amenity fee," said Daniel Hedaya, the executive vice president of leasing and management at Platinum Properties. "The majority of these buildings that offer these very nice amenity spaces [are] including them for a short period of time, whether it's six months or a year."

But in the next year, these buildings plan to start charging.

For example, at the new rental building 808 Columbus, part of the Upper West Side's massive Columbus Square complex, one of the attractions is an 80,000-square-foot roof deck, said Jeffrey Davis, the development's general manager. The roof, along with the building's saltwater pool, playroom and fitness center, will have only a nominal fee for the first year, but that fee will then increase to a yet-to-be-determined amount, Davis said.

The fee is necessary because this isn't an ordinary roof deck: It's covered with soil and planted with some 50 trees, according to Peter Rosenberg, director of development for the project.

"Traditionally, people put a lot of pavers on a roof and few planters," said Rosenberg. "I'm not aware of anybody residential who's done a roof deck like this."

Fees vary widely depending on the building. New rental Truffles Tribeca has a gym, theater and much-hyped Trufflesprivé lounge. The developer is currently offering these features for free, according to Sha Dinour, president of Triumph Property Group, which markets the rental, but ultimately plans to charge $850 a year for them.

Another building Triumph is marketing, 454 Manhattan Avenue in Harlem, is including a roof deck, bike storage room and other amenities for free for the first year, but will then charge tenants an annual fee of $175.

It remains to be seen how renters will react once these fees kick in. These days, people are less likely to reach into their pockets for elaborate features, and landlords may find they can't charge as much as they planned.

"People aren't going to pay money for a tenant lounge unless it is something spectacularly different," Hedaya said.

New condo owners, too, will soon see more fees on the horizon.

A condo's monthly common charges are intended to cover all of a building's day-to-day expenses, including amenity costs.

In the current climate, however, many buildings can't cover their operating costs, in part because rising unemployment is forcing some residents to delay paying those monthly fees.

"We are starting to see that maintenance stream getting less reliable," said Eva Talel, a partner in the real estate group at the law firm Stroock & Stroock & Lavan.

Some new buildings are dealing with expensive repairs as a result of shoddy boom-time construction. In others, rookie developers inaccurately predicted operating costs.

"Novice developers have consistently underestimated the cost to operate the building," said developer Josh Guberman, president and CEO of Core Development Group. "What we're seeing a lot of is new developments starting out years one or two at 20 to 50 percent above the [cost] projections."

In the face of these challenges, condos have a few options. One is to raise common charges. Steven Sladkus, a partner at law firm Wolf Haldenstein Adler Freeman & Herz, said he's seeing some buildings hike them an average of 10 percent annually — not ideal, since higher common charges make apartments harder to sell. Another option is to levy a one-time assessment on all of the residents — also unpopular in a recession.

Instead, many condos are turning to new revenue streams. One increasingly popular method is instituting a transfer fee, akin to the co-op "flip tax." This fee, which ranges from 1 to 2 percent of the apartment's sale price, "to the seller is not a huge burden, but for the [condo], it can be a significant amount of money," said attorney Marc Luxemburg, chairman of the real estate department at Snow Becker Krauss.

Instituting a flip tax usually requires a vote by two-thirds of owners, he said, a requirement that has made transfer fees rare in condos until now.

"It's a classic way of raising money in a co-op, and we are now seeing condos that have flip taxes," Talel said.

Five-year-old condo conversion the Westbury, at 15 East 69th Street, recently adopted a flip tax and raised almost $600,000 in one year, said Bellmarc's Janangelo.

When the Westbury adopted a transfer fee, it also added a leasing fee of 6 percent of the gross rent, Janangelo said. Condos have also upped fees for storage units, added move-in and move-out fees, and even tacked on appliance fees, such as charging residents when they install air conditioners.
Amenity fees are still rare because they also require changing a condo's bylaws, but experts said they are becoming more popular.

"I can see why buildings might want to increase fees for certain amenities rather than raising the common charges," said Robert Knakal, chairman of Massey Knakal Realty Services, who sits on his condo board at 45 Park Avenue. "If you raise the common charges, you're devaluing the apartments in that building."
Then there's the option of doing away with the amenities altogether. The board at the Orion Condominium at 350 West 42nd Street contemplated ending the building's daily complimentary breakfast, but residents decided against it, said Sheilla Manigat-Levin, a vice president at Prudential Douglas Elliman who has listings in the building.

"The residents felt very strongly about having the free breakfast," she said, adding that recession or not, "it's critical to have the proper amenities."