

NY Dirt: Everyone's talking about insurance

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Everyone seems to be talking about insurance, at least in the world of housing and development.

"I think the most criminal thing that exists is the insurance industry," said Bryan Kelly, principal at Gotham Organization.

At an Ariel Property Advisors event last week, Kelly explained that he's seen insurance rates on affordable housing projects equal ten percent of development costs, quadruple what you might find in a nearby state.

Robert Nelson of Nelson Management Group chimed in to say that his company had been sued for a stairwell fall 18 months after the alleged incident. They took the issue to court and lost, and are now facing a \$3 million bill.

"There needs to be insurance reform because insurance is killing rent-stabilized housing and affordable housing," Kelly said.

Earlier this week, I covered [new data](#) from the NYC Housing Partnership and for-profit developers of affordable housing. A majority of survey respondents said costs had broken loose, with insurance premiums being a top driver.

There's some indication that affordable developments are faring worse than others in the insurance market.

Affordable and rent-stabilized apartments make up only 20 percent of the city's multifamily buildings, but [drew 56 percent of the personal injury lawsuits](#) in the last five years, according to an analysis by the Milford Street Captive Insurance Company and LegalClaims.ai. That makes affordable buildings three times more likely than market-rate buildings to get sued.

Why is this happening and what can be done? The insurance industry is somewhat opaque, so it's hard to get clear answers. But the real estate industry has largely coalesced around fraud and fake tort claims as an explanation.

"I think that the law is ripe for fraud and abuse," said Elizabeth Crowley, president and CEO of the Building Trades Employers' Association.

The Mamdani administration has started paying attention more broadly. The mayor [proposed a publicly-backed insurance program](#) for affordable and rent-stabilized properties earlier this year.

That will likely be helpful. But Crowley said it's not going to stop the real problem, which is the number of claims.

"It's not the insurance companies that are the problem," she said.

Real estate folks are largely looking for a reform of the state's Labor Law 240, aka the Scaffold Law, which holds a contractor or property owner 100 percent liable if they share any blame for falls workers suffer on the job. They're also looking for other tort reform at the state level, hoping to limit lawsuits and payouts.

"You have more claims than the buildings can afford," John Crotty, a founding member at Workforce Housing Group and a founder of the Milford Street Insurance Captive, told me in March. "Someone's got to make a decision about what's more important."

What we're thinking about: Gov. Kathy Hochul signed [legislation](#) this week placing additional certification and inspection requirements on cooling towers. How will this affect owners? Send notes to lilah.burke@therealdeal.com.

A thing we've learned: Have you ever noticed an odd street-level door at a brownstone? Odds are it was a [horse walk](#), a narrow passageway through which a horse was once led from the street to a stable behind the home. These pathways are usually evidenced by a door without a stoop that opens directly to the sidewalk.

— *Spencer Davis*

Elsewhere...

— More than 50 Harlem residents who were impacted by last summer's Legionnaires' disease outbreak are suing the city for hundreds of millions of dollars claiming that the government was negligent in its handling of the disease, Gothamist [reports](#). The Harlem outbreak sickened over 100 people, hospitalized 92 and killed seven — matching the death toll of the recent Upper East Side outbreak.

— Less than half of students across New York state were proficient in reading on the state exams administered last year in grades three through eight, Chalkbeat [reports](#). The sharp decrease — down 5 percentage points compared to the previous year — alarmed experts who say scores tend to change gradually. Fifth grade reading proficiency, for example,

dropped 14 percentage points, whereas it had risen 13 percentage points the year prior. The changes come as New York City has [embraced](#) sweeping changes to literacy instruction.

— Over a dozen City Council members raised concerns at a Democratic conference meeting Tuesday about John Mangin, Mayor Zohran Mamdani’s nominee for chair of the Board of Standards and Appeals, Politico [reports](#). Mangin, who currently serves as the head of the Department of City Planning’s housing division, played a key role in advancing ballot questions for last year’s election that created fast tracks for approving affordable housing developments that diluted City Council’s sway over the proceedings. Some members are now worried that Mangin might have similar ideas for the BSA, which serves as a “[relief valve](#)” for properties uniquely restricted by zoning and land use rules.

Closing time

Residential: The most expensive residential sale recorded Thursday was [\\$10.7 million](#) for a 5,100-square-foot townhouse at 262 West 11th Street in the West Village. Jennifer Regen, Ian Slater and Michael Koeneke of Trove Partners at Compass had [the listing](#).

Commercial: The most expensive commercial transaction was [\\$96.6 million](#) for a 107-room, 62,650-square-foot hotel at 50 East 41st Street in Midtown. [The Real Deal](#) reported on the sale by Spanish investment firm Azora to Eurostars Hotel Company.

New to the Market: The highest price for a residential property hitting the market was \$38.8 million for a 5,251-square-foot condominium at 1122 Madison Avenue on the Upper East Side. Cathy Franklin with Corcoran has [the listing](#).

Breaking Ground: The largest new building permit filed was for a proposed 64,366-square-foot, seven-story educational facility at 1000 University Avenue in Highbridge. Jonathan Imani of IMC Architecture filed the permit on behalf of Pillar Property Management.

— *Matthew Elo*