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INDUSTRY NEWS

Upside Ventures Negotiates Purchase of Two Five-Story Walk-ups Near Lincoln Center in 1031 Tax Exchange

A recent purchase of two apartment buildings totaling 22 units for a 1031 exchange resulted in more than a deferral of capital gains taxes for one investor. The acquisition came with a bonus of over 10,500 square feet of development rights, which made the deal even more attractive, according to Ralph Trionfo, president of Upside Ventures, who represented the buyer in the transaction.

MCI Realty LLC c/o Milton Merl purchased two contiguous five-story walk-up apartment buildings at 242-244 West 61st Street on Manhattan's Upper West Side for \$5,600,000. The acquisition was structured to replace a nearby loft building at 12 West End Avenue that Merl had recently sold. The property and timing conformed to Section 1031 of the Internal Revenue Code. The West End property became part of an assemblage of parcels for a proposed 31-story residential building along West End Avenue between 59th and 60th Streets. Merl, who currently owns other real estate assets in Manhattan, acquired the West 61st Street walk-ups from Seventh Frogmouth Corp. c/o Arthur Cohen. The West 61st Street transaction included over 10,500 square feet of surplus development rights, which were sold to Ginsburg Developers for \$90 per square foot to enhance the construction of a mixed-use high-rise tower adjacent to the walk-ups. Local zoning laws permit the transfer of development

rights only to adjacent properties, said Trionfo.

"Ginsburg was seeking to add square footage to the project," said Trionfo. "The taller the building, the more views, which ultimately means more value."

The final purchase price for the walk-ups was reduced as the surplus development rights were already in play. "At the end of the day, the buyer acquired the property for nine times the gross income, which is a bargain for that location," said Trionfo.

"The area is enjoying a renaissance with several new developments planned and underway," said Trionfo. "The landscape of the whole West Side is changing. For example, the New York Jets desperately want to call it home."

In addition to the above projects, Trionfo cited the Trump organization who is building 234 units at 33 West End Avenue and 4,352 rental/condo units on Riverside South; the Durst organization and the Rose family who are putting up a 500+-unit luxury apartment building on 57th Street and 11th Avenue; and the Dermot Company who is constructing 500 units on 10th Avenue and 53rd Street.

When Merl first approached Trionfo to identify a replacement asset for the West End sale, Trionfo recommended a corner mixed-use apartment building in the East Village that looked promising. After weeks of negotiations, the deal fell through.

"We had only 18 days left to find a replacement property when the West 61st Street opportunity developed," said Trionfo. "We have a strong network and extensive database of registered and active investors, so I was able to source another option that turned out to be a better alternative all the way around."

The West 61st Street properties are in a prime location near the new Time Warner complex and Central Park with easy access to numerous transportation options, said Trionfo. There are 22 apartments, 18 of which are free-market rentals. They include two studios, three one-bedroom duplexes, 10 two-bedrooms and seven three-bedrooms, most with wood-burning fireplaces.

"Constructed at the turn of the century, the buildings are well maintained, fully occupied and excellent candidates for a co-op conversion," said Trionfo.

This is the first sale in 21 years, as the walk-ups have not changed hands since Arthur Cohen bought them in 1983. Trionfo negotiated the transaction, which included the resale of the development rights, a non-refundable contract deposit, seller financing, and assumption of the existing debt.

"I had a motivated buyer with a short time frame and specific requirements," said Trionfo. "The sale closed within 60 days with no contingencies or due diligence." ■