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Conversion a puzzle at 505 Court

Negotiations with rental tenants in Carroll Gardens building leave condo sales there uncertain

By Steve Cutler

"The cool thing about new construction is, you either sold something or you didn't," says Jane Gladstein, principal of Metropolitan Housing Partners, developer of Court Street Lofts, the tallest and fanciest new residential structure in long-established and quietly gentrifying Carroll Gardens, Brooklyn.

"But with conversions, it's a puzzle."

A year and a half after plans were submitted to the state attorney general's office for conversion of the building at 505 Court Street from a rental building to a condominium, Gladstein still doesn't know how many of the existing tenants will buy their units, how many will remain as renters or how many will vacate their apartments, freeing them for sale on the open market.

Just after the conversion plan for the 10-story luxury building was announced, real estate blogs chewed over tenant/sponsor wrangling with unabashed relish.

All par for the course, says Gladstein. Just as during the mad co-op conversion spree of the 1980s, when some 35,000 rental units a year were turned into co-ops or condos, "everyone knows their roles," she says. "The sponsor's role is to try to attain the greatest value it can by converting to condominium, and the tenants' role is to do everything they can to denigrate the product, deny the condition of the mortgage and try to negotiate a better deal. It's been that way since the very first genius thought of converting a building."

One difference: In the '80s, receipt of a red herring, the name for the notice of intent to convert a rental apartment to a for-sale property, was akin to winning the lottery. Tenants could expect offering prices with discounts of 40 percent or more. Now, because far fewer rental apartments are rent stabilized, discounts are more in the 5 to 10 percent range.

On the tenant's side, notes Gladstein, "the guidelines promulgated by the attorney general's office are substantially more rigorous than they were in the '80s -- a natural outgrowth they've gleaned from 20 more years in their role as a consumer protection advocate in dealing with sponsors and developers.

"Tenants get a voice with the attorney general's office, which the collective prospect base in a new construction property typically doesn't have," she adds.

Once the offering plan for 505 Court Street was filed with the attorney general's office, Metropolitan Housing Partners was permitted to sell to outsiders. At the same time, tenants were given 90 days to purchase their units at a discount price. But that initial price was just the beginning of 12 to 15 months of negotiations.

"We've concluded those negotiations," says Gladstein, and now the tenants are "in a new exclusive 30-day period in which they may elect to purchase at their new tenant discount. We don't know how many will purchase until the end of the 30-day period." Gladstein would not disclose the extent of the discount while the 30-day period is still in effect.

"It was a normal and healthy process for everybody involved and we expect to have a favorable response from the tenants," says Gladstein, adding that some tenants could choose to settle their differences in court.

"We expect to declare the plan effective shortly [an offering plan must be declared "effective" when 75 percent of the units are sold]," she says, "and have our first closing around the end of June."

Built in the early 1900s as a manufacturing building, 505 Court Street was converted to rental in 1980. Metropolitan Housing is upgrading the common areas, elevators and laundry facility, replacing all of the windows and completely modernizing the lobby,



The Court Street Lofts at 505 Court Street will be the first doorman building in Brooklyn's Carroll Gardens.

adding to it an amenity unheard of in Carroll Gardens, a full-time doorman. The exterior of the elegantly simple structure will be left alone aside from painting.

Vacant apartments have been gutted and modernized with the usual complement of upscale finishes, including kitchens with granite countertops, custom cabinets and stainless steel appliances, and master baths with limestone tile, wood cabinets, stone tops and porcelain sinks. The building has a private landscaped courtyard garden.

The tenant-occupied units are offered "as is," which, says Gladstein, "is part of the reason they're getting a discount." Most apartments in the building have 12-foot ceilings, and because the building towers above most of the neighborhood housing stock, a good number have spectacular views of the Downtown Manhattan skyline and harbor, including the Statue of Liberty.

Court Street Lofts has 124 apartments, mostly one- and two-bedrooms, with some studios and three-bedrooms. The Corcoran Group, sales agent for the building, lists 16 apartments, from a 729-square-foot one-bedroom for \$485,000 to a 1,330-square-foot two-bedroom penthouse for just over \$1 million. Forty percent of the vacant apartments have been sold. More listings will be added as apartments are vacated. "The number of apartments for sale is fluid," says Gladstein.

Buyers initially came from Brooklyn, half from the immediate neighborhood. But since then, says Gladstein, "we've seen a greater diversity, including buyers from the Upper East Side and Upper West Side of Manhattan looking for a particular style of neighborhood," at more affordable prices. "Prices are half of those neighborhoods," she says. Forty percent are first-time buyers.

Court Street Lofts also offers an interesting Manhattan-style amenity to family residents, a "nanny program" run by Abigail Michaels Concierge. And the developer has donated money to the local Center for Arts Education, which launched an arts program at PS 58, the Carroll School. The building will be hosting an art show featuring children's artwork in the lobby.

Comps for the new building are nearly impossible to find as there is very little new construction in Carroll Gardens, nor doorman buildings. The rear of the building borders Red Hook, a growing area but one that still has some funky streets, and the Brooklyn-Queens Expressway.

But the front entrance opens to a different world: picture-perfect brownstone Carroll Gardens. Court Street, which runs north to the booming Atlantic Avenue corridor, is replete with long established restaurants, like Frankies 457 Spuntino, bookstores, music shops, exotic eateries, taverns, boutiques and new, elaborately precious Sunday brunch cafes, like Le Petite Café.

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