

By the numbers: Condo conversion would be affordable and feasible

By Michael C. Alcamo

In the last weeks, our community has responded enthusiastically to the prospect of “home rule,” tenant ownership through a non-eviction condo conversion. Many of our neighbors — teachers, retired diplomats, firefighters, social workers — are keen to purchase their apartment and realize the dream of home ownership.

By the numbers, acquiring an apartment is affordable, both in the initial acquisition, and also on a continuing monthly basis.

At “fair value” for the property, the math indicates that an average one-bedroom unit would cost about \$105,000. Interested purchasers would be assisted by banks; we would probably arrange five reputable “preferred lenders,” who would lower their origination costs. The purchaser in our example would need a down payment of about \$20,000.

Most of our tenants have access to those resources. Others might rely upon the resources of children or grandchildren. And, in most condo conversions, residents can participate in purchasing unsold units, in addition to their own, (with renters remaining in place, as stabilized tenants).

At the end of six months, we would know who wanted to remain as a continuing renter, and we would also develop a list of interested purchasers. We would match persons with extra financial capacity with those who prefer to remain renters. Therefore, as a community, we could probably commit to acquire up to 80 percent of purchases of all apartments.

Continuing renters would see no change — they enjoy all the protections of the rent-stabilization laws. We all know what life is like as

a renter; continuing renters will be treated with respect, and would not face relentless MCI charges.

Most important, a conversion would keep our community affordable — purchasers would generally see monthly costs decrease. An owner’s monthly charges include mortgage, maintenance and



MICHAEL ALCAMO

A condo structure ensures that purchasers will not face discrimination.

taxes. For the one-bedroom example, maintenance would be approximately \$600. Net monthly costs for this unit would thus be about \$1,076. If the person’s rent had previously been \$1,250, they would see a \$174 monthly savings, or 14 percent.

We would rely on a talented property manager, and handyman services, such as plumbing, electrical, and painting, would continue to be provided.

Bear in mind that every real estate deal must anticipate “contingencies.” Our lawn is a mess; lighting needs repair. Most apartments haven’t been painted, and Tishman Speyer handed the trustee the responsibility for the required three-year repainting.

For now, we should reach an agreement with the trustee, and purchasers would have a period of time to fund into escrow. The remaining portion of continuing rentals/unsold units could be addressed in several ways. First, the condo association would start out debt-free and could borrow to acquire these units, which have good cash flow characteristics. Alternatively, a joint venture partner can assist by investing alongside for a preferred return, but not full ownership of those units.

As those rental units are later vacated, the condo association, which owns them, could either re-rent them (subject to rent-regulation), or sell them, with proceeds going into the reserve fund. Tudor City has a program in which continuing renters can later choose to be bought out, based on specific pricing.

The most affordable and feasible roadmap to ownership seems to be a standard, time-honored, non-eviction condo conversion transaction. A condo structure ensures that purchasers will not face discrimination on the basis of their ethnic background, occupation, family status or sexual preference. And, a flip tax and a holding period seem to be mechanisms that will strengthen the community and enhance value.

What can you do? Join the Facebook group, “Can We Get 11,250 People to Buy their Own Apartment in STPCV.” Secondly, the Tenants Association will have legal standing on behalf of the tenants, and it’s valuable for them to have as many members as possible, so please consider joining, even at the \$5 level.

Third, City Housing Commissioner Rafael Cestero said his “overriding concern” is that ST/PCV should be part

Continued on Page 8

Town and Village

February 25, 2010

By the numbers

Continued from Page 5

of “the city’s affordable housing stock for generations to come.”

However, the New York Times noted this week that, “many affordable homes

that the city helped finance during the boom years continue to sit unsold.” And, the city never insisted that Tishman Speyer accommodate incoming low-income

tenants. If private ownership was good enough for Tishman Speyer, and good enough for the taxpayers of Tudor City, then it should be good enough for us.

Michael Alcamo is the president of the mergers and acquisitions firm MC Alcamo & Co. and a resident of Stuyvesant Town. He is also the founder of the Stuyvesant Town Tree Project and organizer of the STPCV Owners Association, an exploratory committee. He can be contacted at michael.alcamo@stpcvoa.com

Letters to the Editor

Ready to be on our 'own'

Town and Village

February 25, 2010

Re: Story, "Time for a non-conversion condo conversion plan for ST/PCV," T&V, Feb. 11

If we can believe Mr. Alcamo's figures for purchasing our apartments, it would be idiotic not to grasp this advantage: to finally own our own homes. At least for those of who for many years have poured money into ST/PCV and don't own a brick here. Neither do we have any say

in our own Rent Guidelines Board — a devious way of procuring more rent out of us and blithely pushing us out of our apartments. As we know rent-stabilization is also threatened.

It would be a once in a lifetime opportunity for us and those who wish to continue renting. We realize it would be a monumental task to figure out the actual mechanics in so vast a project, but at least let's

be heard if we are willing to commit to condo owning.

Once the vultures — and they're circling now — take control, it will be too late. Councilman Garodnick raised enough respectable commitments to challenge Tishman for tenant ownership, but we have to realize that Met never gave us a chance — it was in the bag, a done deal. Can we bear this now?

Mildred Salit, PCV

What brought the house down

No new company should keep their presser's legal and upper management staff to run its property, this complex, or he or she will end up the same way as the old one. You are looking for problems.

It wasn't only the money spent, but the ideas of the old staff that brought this housing venture down. A change

means a change from the top, clean house.

I have been living here in Stuyvesant Town for over 31 years, and the problems I ran into living here, the stories I could tell, the injustice done and racism by both previous landlords that we all knew about, even wrote about. The bible teaches us to wait and

see the rewards of the evildoers. As you can tell, I am glad that both of them are gone.

The tenants are the key to achieving and retaining a successful solution to the ownership of this housing complex and we are looking forward to helping achieve that goal, because we live here.

R.T. McPherson, ST

Conversion a 'Socialist' idea?

In response to the Donna Buscarello and Name Withheld letters (T&V, Feb. 18) about apartment conversations to condo:

It never ceases to amaze me how the Tenants Association and the tenants of this complex always want things for nothing. They want new elevators, but don't want to pay for them, they want new windows but don't want to pay for them, they want new lobbies and doors, but don't want to pay for them, they want new appliances, but don't want to pay for them.

Now they want two-bedroom apartment sold to them for \$300,000 in a neighborhood where an average two-bedroom apartment goes for \$1.5-\$2 million (about three buildings on 23rd between First and Second, on 13th St. between First and Avenue A, down Avenue A). On top

of that they want to tell the person who buys them when they can sell them and to give 10-20 percent of the sale price to the "condo board."

I am curious; do we still live

in America or have we totally turned to socialism? I understand we have a president who is a socialist, but have we really gone that far?

John Monel, ST

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Letters to the Editor

Conversion idea a dream come true

Town and Village

February 18, 2010

Re: Story, "Time for a non-eviction condo conversion plan for ST/PCV," Feb. 11

I was so delighted to read the article by Michael C. Alcamo where he laid out in broad strokes steps to be taken in order for ST/PCV to be converted to non-eviction condos. This is like a long held dream come true and I think a viable opportunity for residents to participate in the American dream of home

ownership.

To me it seems like a no-lose proposition all around. Those of us who would want to purchase an apartment could do so affordably and residents not wanting to participate in ownership could continue to live in their apartments until such time that they choose to move. Who else really has the well being of our community at heart but the residents?

As Mr. Alcamo pointed out however, time is of the essence. We must move forward with this action and get as much help in doing so as possible.

I hope that the ST-PCV Tenants Association along with Dan Garodnick's office takes initiative in this action and helps us to make it a reality.

Donna Buscarello, ST

'The time to act is now'

Yes... This is the time to buy our apartments. We are not going to get this chance again. We know the new owner will say they want to keep it affordable just like TS did, but we all know that is not going to happen.

I saw Ross Wilber on CNBC talking stating that he and LeFrak could and would take over the complex because "We know how to run a place like that and the tenants

do not." In others words we are not "bright" enough, and just like a herd of sheep that needs someone to guide us. A new owner would have to take on debt and therefore need to make a profit and he is going to have to do it somehow, which will probably mean throwing tenants out and cutting services. It only natural to do so.

Also, let's not forget, the new owner will want to put

more MCIs into effect to raise everyone's rent and of course the people in Albany will take years to change that rule.

The time to act is now. Let's not put our heads in the sand and expect everything to come out OK. In the end, I strongly agree with what Michael Alcamo had to say and am keeping my fingers crossed the condo conversion becomes a reality.

Eugene Costiglio, PCV

Alcamo's plan gives hope

It has been a very long time that I have read an article relating to our precious ST/PCV that left me feeling hopeful. Michael C. Alcamo's article, "Time for a non-eviction condo conversion plan for ST/PCV," was just the information I needed to hear to restore my hope.

As a 19-year resident and proud member of the STPCV Owners Association, the time has come to embrace the dream of home ownership. The non-eviction condo conversion plan protecting our rent-stabilized tenants is a wonderful idea as it would allow residents to be owners and protect residents that choose to still be renters. The one-year hold and the 10 percent flip tax make sense to ensure we have resources for

capital needs.

It is time that we the residents bond together to forge

into the new homeowners frontier.

Name withheld, ST

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Time for a non-eviction condo conversion plan for ST/PCV

Town and Village

February 11, 2010

By Michael C. Alcamo

In the midst of the uncertainty about our community's future, one thing is true: We have a historic opportunity to devise a roadmap to tenant ownership.

We should pursue, with all deliberate speed, a feasible mechanism to embrace the dream of home ownership: a non-eviction condo conversion plan. In a such a plan, rent-regulated tenants who wish to remain renters can do so — and will be treated with respect. And, we'll have the opportunity to purchase our apartments at affordable prices. Beautiful and well-managed Tudor City provides a good model, but add three improvements: condo status, and two community-enhancing provisions.

Of course, we should offer a fair value. Real estate values are determined by multiplying a property's net operating income (or "NOI") by a factor reflecting the market's enthusiasm for similar properties. ST/PCV's NOI is about \$120 million, yielding a value of \$1.8 billion — and probably declining, due to the weakening real estate market. (The true NOI is probably lower, depending on how many essential overhead expenses should be included).

Assuming a 15 percent discount, our purchase price could be \$1.53 billion. Allocating this by unit yields these purchase prices: For an unrenovated one-bedroom: \$90,000, renovated: \$120,000, for an unrenovated two-bedroom: \$155,000, renovated: \$195,000, and for an unrenovated three-bedroom: \$255,000, renovated: \$295,000.

We, the new owner, would engage a talented, prudent property manager. Good candidates are Rose or LeFrak. Property managers would

hold a five year contract, and be accountable to a board of directors. A property manager could also be an important joint venture partner in the initial conversion.

Remaining rental units would be held in an entity owned by the condo association; renters would be treated with fairness and respect. Over time, as renters left the property, the owners association would sell these at market rate. If they chose, renters seeking to move to warmer climates could receive a fair buyout.

I also recommend two community-stability provisions that all would likely embrace, to ensure fiscal soundness, reduce speculation, and strengthen the community's value. I would be interested in your views:

(1) 10 percent "flip tax" on sales. On any sale by an owner, 10 percent of the profit could be due to the condo association. This keeps maintenance costs under control and ensures that funds are available to pay emergency or necessary capital costs.

(2) One-year holding period. I also propose that any buyers be required to own a condo unit for at least one year. This will lower the velocity of transfers and discourage speculators seeking quick profits.

From the city's perspective, conversion means increased sales tax revenue on transfers. From the residents' perspective, the monthly cost would probably decrease, because ST/PCV is large enough to be managed cost-effectively. (No doormen, for example).

To get from here to there, we must first communicate that we feel strongly that tenant ownership is the right outcome, and that we are equipped to fund an offer:

Once we reach agreement with the trustee, we would have nine months to prepare necessary documentation, and ask residents to vote "yes" by funding 10 percent of their purchase price into an interest-bearing escrow.

Banks would then provide tenants with commitments, likely for 80 percent of the purchase price. We would develop a list of five banks to be "preferred lenders," in return for low origination fees.

Once the 15 percent approval threshold is reached, we would set a funding period, during which the rest of the purchase price would be due. The trustee would then be paid; non-purchasers would remain as renters.

Still to be determined: should we have a condo with co-op rules. Should we move ahead with an operating group as partner? If we do nothing, rent-regulation will most likely sunset naturally. A new Tishman Speyer will have the same powerful incentives as the old Tishman Speyer: hefty MCIs, and unfair pressure on tenants. As well, regulated rents will march naturally toward the decontrol threshold. As well, the benefits of the J-51 legal victory last only a finite period — perhaps as little as seven years.

Now is the time to pursue and achieve a stable and community-minded future, as owners.

Michael Alcamo is the president of the mergers and acquisitions firm MC Alcamo & Co. and a resident of Stuyvesant Town. He is also the founder of the Stuyvesant Town Tree Project, and, as of February 10, 2010, organizer of the STPCV Owners Association, an exploratory committee. Contact him at michael.alcamo@stpcvoa.com.