

## Seven groups ready bids for Starrett City

The bidders, primarily nonprofits, are prepping \$1 billion-and-below bids for the housing complex; their attention to affordable housing will be key in the decision.

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*AP Images*

At least seven groups are putting together pitches to buy Starrett City, as the July 8 deadline approaches for bids on the largest federally subsidized housing complex in the nation.

Most will include nonprofits, since tax-exempt groups could finance the purchase of the Brooklyn property through the sale of bonds. Many bidders are working to put together teams that include nonprofits, developers and management companies.

"Starrett City should be in the ownership of a bona fide, strong nonprofit entity that has experience running and owning similar properties," says Ghebre Selassie Mehreteab, chief executive of The NHP Foundation.

The affordable-housing group, which bid for Starrett City before, is working around the clock to prepare a bid. Others readying bids include Omni New York, run by former Met Mo Vaughn, and a coalition led by the Christian Cultural Center, a local church with 29,000 members.

Big names in real estate appear to be taking a backseat to groups with experience in affordable housing. That's because the potential to reap huge profits by raising rents was wiped out by a recent agreement between government and owner Starrett City Associates that will keep the complex affordable.

"A lot of the bids are going to have nonprofit partners with them," says Eugene Schneur, a principal at Omni. "That seems to be the way this will get done."

A few well-known developers, including Apollo Real Estate Advisors, are joining bidding teams

in secondary roles. Tishman Speyer, which previously bid for Starrett City, will not make an offer.

### **Whole new ballgame**

Bids are expected to range from \$600 million to \$1 billion, far less than the \$1.3 billion offered by Clipper Equities last year. That bid was rejected by state and federal officials because it was so high that the new owner would have been forced to raise rents. In drawing up their proposals, the bidders must factor in the agreement to keep rents low at all 5,881 units, the tight credit market, and falling real estate prices.

"It's a much different deal now," says Eric Michael Anton, executive managing director of Eastern Consolidated, a real estate investment services firm. "I can't tell you exactly what it will trade for, but my guess is it will be a big discount from that \$1.3 billion."

To be eligible to bid, a group has to demonstrate to Recap Advisors, the real estate firm managing the sale for Starrett City Associates, that it has experience managing large affordable-housing projects and that it can access enough capital.

More than 20 organizations that meet the criteria have been granted access to an online document room with property records, rent rolls and terms of the memorandum of understanding which mandates that the complex remain affordable. Many have ties to the community, including Omni, which owns 800 units there, and the church coalition, which is led by an influential local pastor.

### **Homestretch**

In the weeks following the July 8 deadline, Starrett City Associates will narrow the field to two or three finalists. Housing advocate NY Acorn, which fought to keep Starrett City affordable, has said that it will watch the process closely to make sure that any potential owner has a track record of promoting low- and moderate-income housing.

Once the finalists are chosen, the owner will consult with local, state and federal officials to select a winner.

The prize is a 46-tower complex that sprawls across 140 acres near Jamaica Bay in Brooklyn. The property includes retail space, a power plant, a sports center, office space, parking garages and vacant land—where many of the bidders hope to build as many as 1,000 additional affordable housing units.

While several factors make a high offer unlikely, there are some competing forces that could drive up the price. First, because tenant payments will be supplemented by government subsidies, the new owner will collect market-rate rents on 60% of the apartments. The guarantee of higher income should make it easier to gain financing in a tough credit market. Second, although bidders have downplayed the value of the vacant land, there is the potential for future development.

Priscilla Almodovar, CEO of the New York State Housing Finance Agency, says the ultimate price will depend on the assumptions that bidders make about development rights and operating expenses, and their creativity in structuring the financing. "That's going to be how these bidders distinguish themselves," she says.

### **MAKING AN OFFER**

7 groups that have confirmed their interest in bidding for Starrett City:

The Bluestone Group  
Christian Cultural Center coalition \*  
Enterprise Community Partners  
L+M Development Partners  
The New York Housing Partnership  
The NHP Foundation  
Omni New York

\* Also includes the Metropolitan Council on Jewish Poverty, the NYC Central Labor Council, Apollo Real Estate Advisors and The Cogsville Group.

*Source: Crain's research* ◆