

COOPERATIVE LIVING

Real Estate Finance News

A Big Deal, A Very Big Deal

NCB's \$55 Million Financing to New York Co-op Sets Record

NCB's New York office is on a roll. In recent years, the office has originated some of the largest loans in its history. A high point came in September 2005 when NCB extended financing to Le Havre Owners Corp., a housing co-op in the Whitestone community of Queens. The \$55 million loan package proved to be the largest NCB had ever provided to a single co-op in the eastern half of the country.

The 32-building complex, popularly known as Le Havre on the Water, is one of the biggest co-ops in the area. Each building has nine stories and 32 units. The 28-acre grounds contain abundant greenery and open space. Amenities include tennis courts, two outdoor swimming pools, a fully equipped gym and a clubhouse. Many of the residents living on the upper floors have breathtaking views of Long Island Sound and nearby Throgs Neck Bridge linking Queens and the Bronx.

Built in 1957 to provide rental housing, Le Havre was converted to a co-op in 1984. In recent years, its close-to-Manhattan location has become highly prized. Million dollar homes, luxury condos and high-end co-ops are now the norm in the surrounding neighborhood.

For Le Havre to catch up and take full advantage of the boom occurring around it, the co-op had to address some pressing exterior maintenance issues. The roofs, terraces, windows, and parking lots all needed significant upgrading and resealing to prevent water damage. The structural soundness of the buildings could be affected some time down the road if these surface repairs were not made throughout the complex.

So the 10-member co-op board put together a comprehensive plan of action. Although it would mean spending approximately \$32 million to complete all the extensive work, the buildings were not getting any younger. And since the environment for borrowing the money to make the repairs was very favorable, in 2005 the co-op decided to proceed on the project.

At the same time, the board chose to refinance the co-op's existing mortgage at a cost of \$21 million and to take out a line of credit of \$2 million to cover incidental future expenses. The result was that Le Havre was in the market for \$55 million in new financing. The word went out to would-be lenders.

John Meagher, a commercial mortgage broker with Walter L. Rothschild Company in Manhattan, contacted NCB's Sheldon Gartenstein even though he was somewhat skeptical that NCB would be able to meet Le Havre's desire for a 30-year term on a financing of this magnitude. Gartenstein, who had just finished closing on a streak of large transactions including one for \$31 million, knew differently. He was confident NCB could be very competitive.

Gartenstein did his homework, enlisting the help of NCB's corporate resources in Washington, DC. Soon, Fannie Mae had been lined up to purchase the loan as an investor. And Gartenstein was able to affirm that NCB could meet all of the Le Havre financing requirements and put a highly attractive offer on the table.

"NCB hit a home run," says Meagher. "It is just a terrific deal. Sheldon did a great job getting all the parties in a position to make a decision to go ahead with this. And it's turning out to be great for everybody. I know the co-op got everything they wanted on this transaction."

The attorney for Le Havre, Geoffrey Mazel, a specialist in co-ops and condos with the Manhattan law firm of Hankin, Handwerker & Mazel, has nothing but praise for the board's leadership in making this transaction happen. "They took a very bold move by borrowing this money. We're talking about something in this market of heroic proportions," he says.

Mazel also compliments NCB on its commitment to make the transaction happen. "The loan was very competitively negotiated among several lenders, and NCB was very aggressive. They came up with what ultimately was the best product for the co-op's needs," Mazel adds. "I didn't know NCB would go out for such a long-term loan. I was impressed with their desire to get this deal done."