

Moving forward

Ark has big renovation plans for NYC 57th Street property

BY STEFANI C. O'CONNOR

NEW YORK—In what many could consider a bold move in these stressed economic times, Manhattan-based Ark Partners is bringing a 30-story hotel out of the ground on one of this city's most-celebrated streets.

In a deal more complicated than many, Ark's Founder/Chairman/CEO Brad Reiss and President John Yoon have for the past four years put their efforts behind the project, which will offer 250 rooms, including 46 suites, when it is completed in 2013.

Held under AREP Fifty-Seventh LLC, the upscale hotel will be off Sixth Ave. at 120 West 57th St., and count as

neighbors along the fashion corridor such high-end retailers as Tiffany & Co., cultural landmark Carnegie Hall and myriad boutique shops, attractions and restaurants, as well as the city's backyard, Central Park, in the surrounding area.

"I've always been a very big believer in barriers to entry. We had a sense that the economy was going to crack and crack really hard. So we decided to deploy capital in locations that we thought we had limited principal risk," said Reiss.

The privately held investment firm is developing the hotel at an estimated all-in cost of \$85 million.

The deal was negotiated in 2007 and closed in 2008. Even

with the enormous churn happening then in the financial markets, Reiss acknowledged he had confidence in proceeding with the deal. "To me, that was the perfect time to do it because the churn confirmed what I thought—the original investment thesis for this capital—that unlike other people buying in 2007 thinking the market was going to go up, I was buying thinking the market was going to go down. But that the places where the market was going to go down, the down would be a really hard down with a relatively fast recovery with less competition."

According to Reiss, the site previously was owner/occupied by a charitable organization and was known as "the

Jewish Board building."

"They had an interest in selling it and needed to find a new home in New York," said Reiss, who indicated the site was speculated about for years in real estate circles as to whom would buy it. "Nothing ever got done. I've heard some anecdotes of people trying to make that deal 50 years ago."

Reiss put the transaction at \$60 million but noted there also was a 1031 Exchange with an undisclosed partner and subsequently entered a lease with that partner. "My partner, going back to the early 1990s, had a building. He swapped that with the Jewish Board. Before he did that, I leased that transaction from



A rendering of the planned 30-story hotel at 120 West 57th St.



Ark counts among its lodging investments in New York City the 50-room Franklin Hotel, the 126-room Mansfield Hotel (above) and the 178-room Shoreham Hotel (right).

Reiss says combo of factors enabled deal to get done

him. So, three things happened: He had the building the Jewish Board wanted to move into; he called me up and said do you want to do a hotel there? And we negotiated a deal," said Reiss. In the tri-party agreement, the Jewish Board got a new home, the partner got the fee ownership of 57 St. that was then leased to Ark, and Ark

Partners got a 90-year ground lease.

"I guess the combination of timing, pricing and knowing where they could move to allowed us to get the deal done where others have tried in the past and didn't," said Reiss. "I guess that was the trick that did it."

While Ark Partners has investments in residential, parking and office ventures, it is no stranger to hotels, particularly in The Big Apple. It counts among its lodging investments here the 50-room Franklin Hotel, 126-room Mansfield Hotel and 178-room Shoreham Hotel. It also has in its portfolio the 225-room Hilton Washington Embassy Row Hotel in Washington, DC, and Hotel Pur, an urban independent hotel in Quebec City, Canada, which it converted from a 238-room Holiday Inn Select.

The hotels are managed by Willow Hotels, a full-service management company of which Reiss is chairman and Yoon is president.

Several years ago Ark Partners also was a joint-venture partner with Korman Communities and BlackRock for the redevelopment of 42 West 58 St., the site of the Wyndham Hotel—the bone-of-contention property that for



Work already underway at Ark's 57th St. site

years had blocked the Wyndham Hotels & Resorts brand from entering New York. The building was later converted to luxury extended-stay residences under the AKA brand.

According to Reiss, the company still owns "a small piece of it."

It also previously owned the 425-room Sheraton Meadowlands Hotel and Conference Center in East Rutherford, NJ, in partnership with Prime Hospitality (subsequently acquired by The Blackstone Group) and United Capital. The same partnership group owned the Holiday Inn Select in Quebec City. Ark subsequently bought out its partners and converted the hotel to the Hotel Pur.

The 57 St. site "was a natural for a redevelopment, particularly a hotel," said Reiss, although the building, which he described as "pretty" was not a candidate for adaptive reuse. "Structurally, it couldn't handle it...there was almost nothing left

of it after they reconstructed the inside and they had also already partially demolished the nice parts of the exterior that we couldn't even keep the façade," he said.

Right now the 130,000-square-foot building is in scaffolding and demolition has begun, said Reiss. The project is being designed by New York firm Roman and Williams and from the building planning standpoint, the architect of record is Gene Kaufman Architect PC. Said Reiss: "We established a vision and created it with Roman and Williams; at the same time we used Gene's skill to make that vision as efficient as possible."

The hotel likely will be an independent; however, Reiss is not ruling out the possibility of flagging the property.

"If there was a brand that brought the right economics and the right capital to a transaction we would have conversations with them. What we've found is many brands have moved away from equity and aren't capitalized to invest, so I'd rather own my own things than sign a management contract to a company that's making fees."

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