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REAL ESTATE

1,700-Apartment Portfolio in New York City to Be Sold

Owners had been in deal with state to address backlog of repairs



Syier Lewis, 4 years old, next to floor damage inside his family's apartment at 711 Fairmont Place in the Bronx.

PHOTO: JOHN TAGGART FOR THE WALL STREET JOURNAL

By Laura Kusisto

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A portfolio of about 1,700 apartments that was the subject of one of the largest foreclosure proceedings in New York City in recent years is being sold.

The owners of the so-called Three Borough Pool—the properties are in Brooklyn, northern Manhattan and the Bronx—have sold seven of the portfolio's buildings for about \$58 million to Black Spruce Management, public records show.

The seven buildings, which are in the Bronx, have more than 500 apartments

Normandy Real Estate Partners and Westbrook Partners are also in contract to sell the pool's remainder of about 30 buildings, including seven more to Black Spruce—five in the Bronx and two in Brooklyn. They declined to discuss who they are in contract with for the other buildings.



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The sale has raised red flags with tenant advocates, who are concerned that Normandy and Westbrook have failed to live up to their commitments to make repairs at the buildings.

They say they fear the properties once again will be sold at a high price that will give the new owners incentive to try to push tenants out, with an eye toward renovating the units and raising rents.

Black Spruce said it was committed to making further improvements.

“We plan to work on the violation count, work to try to make the tenants happy. That’s the plan for the time being,” said Joshua Gotlib, who co-founded the company in 2009.



One of the buildings in the so-called Three Borough Pool is 711 Fairmont Place.

ILLUSTRATION: JOHN TAGGART FOR THE WALL STREET JOURNAL

The portfolio was one of the most high-profile examples of investors purchasing apartments during the boom, expecting to renovate apartments or buy out tenants and eventually raise rents.

In court documents, the owners said they were hit by the recession and other factors, and in May 2012 failed to pay back a \$133 million loan.

The buildings fell into disrepair and tenants complained about leaks, vermin and security doors that didn't work. At one point, the buildings had about 3,400 open code violations. Normandy and Westbrook subsequently sent out a survey to tenants that yielded another 1,650 repair requests.

About a year ago, Normandy and Westbrook refinanced the \$133 million loan and struck a deal with New York Attorney General Eric Schneiderman to address the backlog of repairs.

They also brought in a new management company, Bronx-based Langsam Property Services Corp., which has worked to address violations.

Normandy and Westbrook said they had remedied about 95% of the violations at the properties, making nearly 5,000 repairs in the last eight months.

“When ownership learned about the problems the prior property manager created, we moved quickly and decisively to fix the problems. We hired a new manager, with an extensive record of high-quality management, who fixed the prior problems and processed rent credits expeditiously,” a spokesman said.

Normandy and Westbrook have agreed with the attorney general to establish a \$400,000 fund to resolve any additional violations after the portfolio is sold.

“Going forward, our office remains committed to protecting the rights of tenants and will closely monitor the management of these buildings to ensure that no tenant faces unlawful harassment or falls victim to systemic code violations,” a spokeswoman for the attorney general said.

As of mid-April, more than 2,100 open violations remained across the portfolio, according to Kerri White, director of organizing and policy at the Urban Homesteading Assistance Board, which helps tenants organize, based on a review of public records. She based her figures on a review of public records.

Some Bronx tenants said they have seen little improvement over the past year. They now have heat, but there are still rodents and security issues.



Debra Cooper shows duct tape on another tenant’s door where a lock should be.

PHOTO: JOHN TAGGART FOR THE WALL STREET JOURNAL

“They’re putting a Band-Aid on the problem instead of taking care of the problem,” said Debra Cooper, who has lived at 711 Fairmont Place for 10 years.

Sitting at Ms. Cooper’s kitchen table, one can hear mice scurrying in the walls. The unit next to her is vacant and left unlocked, which she said makes her worry about her safety because anyone could go in there.

Ms. White said she was concerned that the purchase price was high, including both debt and equity.

Public records show the debt Black Spruce is taking on as it acquires the properties is about \$40 million, an amount considered relatively low. Mr. Gotlib said Black Spruce was well- backed by investors and won’t run into the same financial problems as the previous owners.

Since 2009, Black Spruce, based in New York City, has acquired more than 2,000 apartment units.

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