

Riverton Apartments Sold at Auction



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Riverton Apartments

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This is part of a series of CHPC briefings examining current issues of importance to the NYC housing and community development industries.

As CHPC predicted in *Debt Threat*, the unwinding of 100,000 units of over mortgaged housing has begun with the auction sale today of Riverton Apartments. In the first completed foreclosure of that process in New York City, Riverton Apartments has been taken over by CW Capital the Special Servicer of the Commercial Mortgage Backed Securities Trust that held its mortgage.

With about 100 onlookers, the auction pitted the Trust against one cash bidder, David Bistricer who is familiar to those who have followed the Starrett City sale and refinancing. Despite a recent appraisal of \$108 million, the bidding rose to over \$120 million before CW Capital bid \$125 million to be the winning bidder.

As the representative of the Trust, CW Capital was able to bid up to the value of the mortgage without actually putting up cash. Since the foreclosed mortgage was \$225 million, CW Capital could have continued to bid higher.

The sole cash bidder for the property was identified as Morgan Capital LLC. According to public records one of the principals of Morgan Capital LLC is David Bistricer.

Bistricer has been associated with a number of real estate projects in New York City. He was also a principal of Clipper Equities which made a bid for

Starrett City in 2007. That deal was criticized as having too high a purchase price and was never completed.

Offered Too Much?

This auction illustrates concerns that CHPC warned about in *Debt Threat*. To the extent that there was a bidder willing to bid in excess of the appraised value of the property there was a risk that the property would be over mortgaged yet again.

Nor has that concern gone away. After some period of time CW Capital will put Riverton up for sale again. Since CW Capital's contractual obligation is to realize the maximum return for the investors in the CMBS and not necessarily to preserve the long term viability of Riverton, our concerns remain. If a subsequent sales amount is in excess of what the rents can support, Riverton will once again be at continued risk of deterioration and decline.

Legislation Needed

Thus we renew our call (as laid out in *Debt Threat*) for legislation that is designed to insure that bidders be vetted prior to bidding at foreclosure sales.