

Starrett City Associates: Making History With Affordable Housing

Case Study

Katten's Real Estate team helped orchestrate one of the most complex and high profile real estate transactions of its kind.

Starrett City Associates, LP sought to sell Spring Creek Towers in Brooklyn, New York, the largest federally subsidized housing development in the country. Located on approximately 150 acres in Brooklyn's Spring Street section, the complex includes 5,881 apartment units in 46 buildings, as well as access to sports clubs, schools, shopping centers, playgrounds, recreational facilities and other amenities.

Spring Creek Towers was subject to both federal and state regulation. Earlier attempts to sell the project were unsuccessful. In connection with the current transaction, Starrett City was in the complicated position of needing to have the transaction satisfy both the limited partners and the government regulators. The terms of the transaction and the underlying purchase and sale agreement needed to satisfy the goals and interests of the numerous stakeholders involved in the transaction — the seller and its limited partners, the purchaser and governmental constituents, the tenants and the public — who were focused on retaining affordable housing status and ensuring federal and state regulatory compliance.

Katten Real Estate, Corporate and Litigation attorneys, experienced in sophisticated, complex transactions and financings involving public and private issues, came together to support this complex and multilayered transaction. The team was led by Real Estate partners Martin Siroka and Scott Vetri, and Real Estate counsel Andrew Wu. Real Estate special counsel Harold Levy and associate Elizabeth Yaeger also played significant roles. The team delivered a full range of transactional, regulatory and dispute resolution services. In addition, Katten's team assisted with its client's efforts to negotiate favorable terms of the sale, maintain the continued affordability of the project and continue the employment of existing Spring Creek Tower employees.

During the course of the transaction, Litigation partner Anthony Paccione and his team won a victory for the seller, which was sued by a group of limited partners seeking to block the contemplated sale, claiming that the project was being sold for a price that was less than the true market value and without the required limited partner consent. The Supreme Court of the State of New York ruled that the sale could proceed, after Katten attorneys demonstrated that the vote of the majority of the ownership approving the sale was valid and should be enforced. The ruling ultimately led the parties to settle out of court.

In addition, Katten Real Estate partner Kenneth Lore and his team handled the \$500 million financing provided by Wells Fargo and Fannie Mae to the purchaser, a joint venture between Brooksville Company and Rockpoint Group, in connection with their \$905 million purchase of the project.

Overall, the transaction was a success for all of the stakeholders involved — seller, purchaser, the involved governmental agencies, the tenants and, ultimately, the public. The purchaser committed to provide capital improvements to the complex, and the continued affordability of the project was ensured for the tenants and the public for the long term.