



CASE STUDY

Preserving Affordable Housing, Empowering Non-Profit Ownership and Capitalizing on ROFR in Harlem

The case for Los Tres Unidos

Long time non-profit owner *Nuevo El barrio para la Rehabilitacion de la Vivienda y la Economia, Inc.* — NERVE — partnered with NCV Capital Partners to exercise their Right of First Refusal (ROFR) in matching the \$60MM Purchase & Sales terms offered by another large developer when the project's, then majority owner, attempted to sell 135-unit affordable housing property.

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Topline: NCV Capital partners for Preservation of Historic East Harlem Affordable Housing
Client: NERVE (*Nuevo El barrio para la Rehabilitacion de la Vivienda y la Economia, Inc.*)
Location: East Harlem, Upper Manhattan, New York

OPPORTUNITY

Los Tres Unidos Apartments (Los Tres) is a 135-unit low-income housing development located near Central Park in East Harlem, Manhattan. The property is subsidized through a HUD project-based Section 8 contract serving families with incomes at or below 50% area median income (AMI). Los Tres was originally developed by a partnership that included not-for-profit co-owner, *Nuevo El Barrio para la Rehabilitación de Vivienda y Economía* “NERVE”. NERVE presented NCV with the unique opportunity to partner to exercise its “Right of First Refusal” (ROFR) to match a pending offer on the property. NERVE wanted to remain involved in ownership, but required investment and preservation expertise from a partner.

HISTORY

In the early 80’s non-profit and religious organizations moved into the East Harlem neighborhood after mass abandonment of buildings, businesses and housing in the 1970’s. The goal was to provide a community or haven for socio-economically disadvantaged New York residents, and spearhead affordable housing developments by utilizing HUD Section 8 housing assistance. Qualified residents lease a 1-3 bedroom apartment home and pay a percentage of their income as their rent portion. Historically, New York City has always been a massive real estate hub with homes and properties experiencing continual market value growth in specific zip codes, however its geography cannot be anymore plenteous. As a result, developers and investors have sought to spread their capital-driven endeavors into neighboring zip codes, most of which are home low to moderate income residents, and amass high-dollar real estate development projects that will ultimately displace those who have a home and long-standing history in the area.

SOLUTION & OUTCOME

NERVE partnered with NCV Capital Partners for its expertise, and in turn, NCV teamed up with Hudson Valley Property Group (HVPG) and Belveron Partners to carry out terms of the competing offer within the contract’s tight 30-day deadline, and secure the \$60MM of capital to purchase the property. With the HUD assistance Contract and an Article XI tax abatement, the partners closed the deal in January 2018.



...the tenants of Los Tres Unidos will continue to live in high quality affordable housing in the emerging neighborhood of El Barrio...

— KEITH GORDON, NCV CAPITAL PARTNERS



UNDERSTANDING RIGHT OF FIRST REFUSAL

Part-owner-tenant and non-profit organization NERVE negotiated the Right of First Refusal clause into the partnership contract for Los Tres Unidos over three decades ago that gave the non-profit org the right to file suit, and block the sale of the property to an outside development company.

The Right of First Refusal, (or ROFR, sometimes stylized as RFR) is a contract mechanism that gives to a specific party the right to be first allowed to purchase or refuse to purchase a particular property if it's offered for sale. It is a future right and contingent upon the property being put on the market. This type of clause in an real estate agreement can exist between owner-tenant or owner principals. Owner-tenant ROFR contract agreements can serve to empower tenants who want to maintain residence or ownership of the property, should the owner decide to sell it. Likewise, Owner Principals can utilize the ROFR mechanism when one part of the ownership decides he'd like to exit the partnership, and the remaining ownership wishes to continue ownership. Both scenarios allow the contract holder to have their shot at ownership. Most times, the contract requires the purchase to be finalized within a certain (and often short) timeframe, with certain (and often strict) terms. It is important to know and understand your rights as a contract holder who has the ROFR, and it's equally important to have a partner on your side who has the necessary business acumen, understands contractual nuances, and can access capital and resources needed to secure a likely large real estate purchase.

NCV CAPITAL PARTNERS ON YOUR SIDE

NCV Capital Partners works with non-profit and religious organizations in the community to protect the interests and viability of minorities in urban areas, partner to revive quality housing and advocate when mission-driven interests are impeded by large-budget developments.

“We understand the opportunities and rights that come with non-profit and religious organizations occupying property — and how those opportunities and rights are often overlooked or challenged with firms with big budgets try and move in on communities for profit-driven purposes. It ultimately destroys the fabric of the community. While we champion diversity and understand that communities will experience influx, new residents, businesses and developments, we want to shield low-income neighborhoods from experiencing hikes in rent and property taxes, and developments that strip communities of its identity.”

NCV Capital is your partner of choice. Its leadership has over twenty years of experience in real estate development, investment banking, acquisitions and equity partnerships and can partner with your not-for-profit organization to ensure your rights as tenant, principal or part-owner are protected.

“When Robert Anazagasti of NERVE contacted NCV and expressed his desire to exercise their ROFR and purchase Los Tres Unidos, I jumped at the challenge of raising that much capital in the 30-days permitted under the agreement. By tapping NCV’s network of operators and investors we found the perfect partners in HVPG and Belveron to execute. Of course, the real winners are the tenants of Los Tres Unidos who will continue to live in high quality affordable housing in the emerging neighborhood of El Barrio (East Harlem) as the project will remain affordable for the foreseeable future.”

—Keith Gordon, Managing Partner