THE REAL DEAL
NEW YORK REAL ESTATE NEWS

# Elad plans mixed-rate condo over West Side train tracks

***Israel-based firm purchased site above Amtrak line for $43M in July***

September 19, 2014

By Rich Bockmann

The development firm that bought a Far West Side property over a set of train tracks earlier this year is planning to erect a 16-story building that will offer both market-rate and affordable condos.

The Elad Group, owner of the Plaza Hotel and developer of projects such as the warehouse-to-condo conversion of 250 West Street in Tribeca, is in the beginning stages of seeking city approval for its residential development at 505-513 West 43rd Street.

The local arm of the Israel-based real estate firm has submitted its preliminary plans to the Department of City Planning to cap and build over the sunken Amtrak line running up the West Side.

"Elad is dedicated to the development of architecturally significant residential and commercial properties in New York City, and this new project straddling West 43rd & 44th streets in West Clinton will be no exception," Elad Group CEO Yoel Shargian wrote in a statement. "Moreover, this is an especially challenging site as it sits directly over an active Amtrak right-of-way. As such, key Amtrak and NYC Department of Transportation standards and requirements must be met."

"The design process is underway and we are confident that the end result will be well worth it, both to the residents of the building and to enhancing the surrounding neighborhood," Shargian added.

Elad bought the property for $43 million in July from the Rhode Island-based hospitality group Magna, which in turn had picked up the empty lot from hotelier Sam Chang's McSam Group in 2008 for $42 million.

Any developer wishing to build on the property must first construct a cap over the railway. And since there is no space available for a basement, mechanicals have to be placed above ground.

A spokesman for Elad said the company does plan to apply for the city's inclusionary housing program, which would provide the developer with a square-footage bonus in exchange for including affordable housing.

Developers have, by and large, turned up their noses at inclusionary housing – a trend the current mayoral administration hopes to reverse.

According to a report released last year by City Councilman Brad Lander, since the program was created in 2005 only 2,769 affordable units were generated in program areas, accounting for about 13 percent of all units developed in those areas.

The percentage of affordable units did climb to 19 percent on the West Side, where inclusionary housing has been more popular. Even still, the vast majority of affordable housing has come in the form of rentals as opposed to condos.

One of the challenges with affordable condos is that they must remain permanently affordable, meaning there is a cap on how much owners can spend on their units, regardless of whether or not expenses rise.

"Condo common charges, expenses [and] taxes would continue to increase. You can't necessarily increase those expenses to be paid by those owners dollar-for-dollar," said Shelia Martin of the Housing Partnership, a non-profit that works with developers and the city to facilitate the affordable housing process.