

Singer & Bassuk reaches into bag of tricks to refi TF Cornerstone's HQ

Brokers' refinancing of 387 Park Ave South in the running for REBNY "Ingenious" award
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By Rich Bockmann



Andrew Singer and Kathleen McSharry with renderings of 387 Park Avenue South

Just because a Midtown South office building isn't finished with its TAMI-style makeover doesn't mean the landlord can't refinance as if it had.

By designing a creative net lease to cover the vacant space at TF Cornerstone's 387 Park Avenue South, a pair of brokers from The Singer & Bassuk Organization arranged a \$100 million loan for the half-empty building.

"We've done it before a number of times," explained Andrew Singer, who along with Kathleen McSharry is in the running for a REBNY "Most Ingenious Deal of the Year Award" for the transaction. "What it did is it created normalcy, when in fact there was still 50 percent of the building changing."

In a phone interview with *The Real Deal*, Singer walked through the submission, entitled "387 Park Avenue South Permanent Financing," which is one of a handful of transactions *TRD* has been reviewing to give a behind-the-scenes peek at how some of the city's most complex deals get done

(They include David Ash's retail condo for Zara, Arthur Mirante's NBPA office lease, Rob Martin's space swap for Assured Guaranty, Paul Wolf's 99-year lease on the St. Luke campus in Greenwich Village and Michael Brais' lease with Gansevoort Market at the Empire Outlets.)

REBNY will announce the winners of the awards at a ceremony April 12 at 101 Park Avenue. The tale of 387 Park Avenue South, which happens to be the location of landlord TF Cornerstone's headquarters, began in 2014 when the developer started renovating the 12-story, 222,000 square-foot building.

The plan included new entrances, lobbies and mechanicals as well as an upgraded glass façade. It would be topped off with a 1,700 square-foot "glass skybox conference room" surrounded by a terrace on the roof.

TFC had plenty of money on-hand for the renovation, Singer said, but was in a rush to find permanent financing on the building. The reason: The owner wanted to lock in a low interest rate before the Federal Reserve followed through on its long-forecasted pledge to raise rates, which it finally did in December.

There was one major impediment to getting a deal done on favorable terms — the building was only about half-tenanted, and it was unlikely that TFC would be able to fill it before the Fed hiked rates.

"Typically if you're 50-percent leased, plus or minus, you get a loan that has a bunch of bells and whistles, and it's not that easy to get a fixed-rate," Singer explained. "It's much harder to get a normalized first-mortgage loan."

The brokers' solution was to engineer a net-lease on the vacant space that would be held by a separate entity controlled and backed by the credit of TF Cornerstone. This way, the landlord could refinance the building as if it were 100 percent leased, replacing portions of its net lease as new tenants came in.

"Each space that gets leased results in a reduction in the master lease obligation," Singer explained.

With the structure in place, the brokers were able to secure a 10-year, \$100 million fixed-rate loan from Axa Equitable Life Insurance in September.

French advertising firm Criteo, which had about 40,000 square feet of space, expanded by another 19,000 feet in December, at which time TFC said the building was 78-percent leased. Other tenants at the building include Citi Habitats and Regus. Singer said he expects the full master lease to be replaced later this year.

<http://therealdeal.com/2016/03/23/singer-bassuk-reaches-into-bag-of-tricks-to-refi-tf-cornerstones-hq/>