



Wolf's New Townhouse Newsletter

BROWN HARRIS STEVENS

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Choosing a Townhouse: Parts 1 & 2 *By Adam Gordon*

A complex process: My selection process after 20 plus years in the business is extremely thorough. I use a multi page check list to evaluate the location, market, physical, financial, zoning, tenancy and other aspects of each potential acquisition. It would be impossible to consolidate all of the details of my process here, but for each aspect I can offer a sketch as an introduction.

Location & Market: New York City townhouse buyers are enormously location sensitive. Each house must be carefully reviewed for traffic, neighbor quality, new projects, noise, and a host of other issues. One of the most appealing characteristics of Jane Street in the West Village for instance, is that it doesn't lead to anywhere. Cars have no reason to travel down its cobblestoned, tree lined streets. Its buildings are low in stature, allowing wonderful light, and there is a preponderance of attractive homes. It's critical to note that almost no block in New York is perfect, nor does it have to be. I am looking for an overall feeling of a townhouse block that is characteristic of a neighborhood, whether it is West Village with cobblestones and wood burning fireplaces, Upper East Side European grace, or Upper West Side relaxed family charm. I religiously visit any house I'm seriously considering at least 5 times, at varying times, to understand how the location feels and how traffic flows on the street.

Physical: I screen out any houses narrower than 20 feet. There are unique situations and of course financial considerations but the great majority in the high end buyer pool want 20 foot wide homes as a minimum. There are practical considerations as well. The 20 footer typically has three windows or bays. The 20 foot dimension measures to the lot lines of the property, true inside dimension is closer to 18.5 feet when outside walls are subtracted. The stair can absorb another 6 to 10 feet in the center of the home, leaving a relatively narrow or rail road flat feeling. The finished home should have breath and be filled with light, not feel narrow or claustrophobic. Commonly townhouses 20 feet or wider are referred to as mansions.

Outdoor space This is an important attribute of townhouse living. Most buyers view townhouse gardens differently than I do. The roof is more important than the rear garden to me. The quality of light is brighter, and it is more private. Sharing a back yard can be lovely, but having many neighbors looking into the rear windows of a home detracts from privacy. I have always sought out private rear gardens when possible, even if they are smaller. Landscaped back gardens can be wonderfully attractive, but they are often used more as a green yard to view, or a place to put out the family dog to run around and less as a place to truly enjoy the outdoors. The penthouse or roof garden often becomes the centerpiece outdoor living space for the home.

You can't save a thing, not even the view: I've seen it time and again, houses with graceful old moldings, mellow honey toned pine floors and charming fireplaces. Brokers scream, "Just bring your Martha Stewart paint, redo a few bathrooms, and your dream house will be finished. I know a perfect contractor too!" All too often these houses sell while the ugly ducklings in similar locations with much more attractive pricing languish on the market. The reality is they both cost the same to renovate and virtually NOTHING can be salvaged. A buyer of one of these old gems is not saving any money by having original details intact. Any competent renovation will involve the complete replacement of all of the major structural systems of the building; sewer, water, electric, heat, air conditioning, windows, roof, and often elevator and stairs. Frequently the major framing systems of the house are sagging, rotted or compromised. In the process of replacing these systems, every molding, piece of woodwork, plaster work and decorative element must be removed, and is generally destroyed in the process. Other than a few fireplace mantels, I have yet to salvage anything of value from a townhouse I purchased. Even old door hardware is generally found to have worn or broken internal mechanisms that cannot be replaced or repaired at a reasonable cost. Can a beautiful paneled room be disassembled, cleaned, stored and then replaced at the end of a renovation? Of course, but that is the exception.

"Landmarks" is not a four letter word. NYC Landmarks Preservation Commission has been responsible for preserving many of the buildings and neighborhoods that we cherish, and preventing the out of scale or otherwise tasteless shellacking over of much of the city's architectural fabric. Investing in individual landmarked buildings or buildings in landmarked districts, while visually and historically sweet, come with plenty of sugar headaches. The Landmarks application process is complex and time consuming. For any work done to a property which lies within a designated historic district, approval from the landmarks commission is required and that can mean a lot of paperwork and a lot of waiting. Even if painting the front door, landmarks will have to review the application. In general, for interior work to a specifically designated landmarked building, the application will go to landmarks for review, and will be generally be approved with what is termed a certificate of no effect. That says, in essence, that the work contained in the application, will have no effect on the landmarked attributes of the building. Of course, the work still requires other municipal approvals.

Financial: First and foremost, apply and obtain pre approval for any required financing before beginning your search. Financing is painfully difficult to obtain today, so it's essential to know the TOTAL amount you have available to budget for the purchase, renovation, and furnishing before the search begins. I develop individualized budgets for each project based upon square footage, design intent, and current condition and occupancy. Part of the process involves total timeline to completion. Questions to be addressed include: When will the architect be hired? How long do we have before closing? Are there existing tenants? All of these questions will begin to determine the mortgage interest and other carrying costs that contribute to the total completed price of the project. Overall budgets vary dramatically so it's impossible to give useful rules of thumb.

Choosing a Townhouse Part 2: Zoning, Tenant Issues and 3 Case Studies

Zoning: One of the ambitions of many townhouse purchasers is to add a penthouse to the roof. The quality of light and air, the breeze, and often the dynamic views contribute to making roof top spaces so desirable. Many considerations apply, including: the availability of air rights, landmark restrictions, height and setback restrictions, engineering and construction concerns, such as the buildings ability to support the significant new weight load.

Typically, landmarks does not want a new penthouse addition to be visible from the street. This particular issue had me shivering in front of 35 West 76th street one snowy morning, as landmarks staff, architects and assorted Upper West Side curiosity seekers looked for the florescent orange painted skeleton of the penthouse mockup, we built on the roof the day before. After much milling about and walking up and down the street, the collective wisdom developed that the full sized mock up was in fact invisible and so we had cleared one major hurdle towards approval.

Tenants: Many townhouses on the market are currently multifamily dwellings with rent stabilized or controlled occupants. Virtually all were originally constructed as single family homes. Years later, many were converted into small apartment houses by their owners. As multifamily dwellings they are subject to different legal and code requirements, and often their tenants are blessed with rent regulated status. By blessed, I mean they are protected by a broad range of laws that carefully regulate their occupancy costs and landlord legal responsibilities. Tenants have the right to stay in these apartments for their entire lives, and under certain circumstances, pass them on to their children. There are guidelines by which owners may seek in good faith to recover one or more such apartments for their own use. That process requires an experienced landlord/tenant attorney to successfully navigate.

A difference in taste- the back-yard at 92 Jane Street: One day I got a call from a broker I had not yet met. I imagined her office consisted of her and her pet cat. In a theatrically breathless voice she told me about a house at 92 Jane Street, which she had managed for

years. She had just listed it for sale, but said that I couldn't get inside for a tour. And further, she cautioned that it had the ugliest back yard she had ever seen. How captivating. I did a bit of research online and found it was a 24 foot wide house in a prime West Village location. One owner had held it for almost half a century. I then walked by it at different times of day and on different days of the week to assess the neighborhood, traffic, light and neighbors. Each block in New York is its own village, so it's vital to explore any new potential home to best understand the offering. Well, this house couldn't be more charming, and I knew that I had to see that unusual garden the broker described. Problem solved when I convinced the neighbor behind the house to let me on their roof. There I beheld an extraordinary sight; one of only two private walled gardens in Manhattan. 4 story high vines covered the walls in a completely private environment. As soon as I got down from the roof, I called the broker and bid full price with no contingencies. I knew everything was going to be removed in a gut renovation of the house so an inspection would reveal very little. The broker was floored by what foolhardy soul could buy a townhouse without setting foot inside, or even outside into the homely yard. Still, she promised to speak with the owner and get back with me. My phone rang less than 10 minutes later, and I owned the house within a few months. After the house was renovated and the back wall redone in glass, it won the American Institute of Architects Honor award, the only residential structure in America to be recognized that year. The house sold for a then West Village record-setting price per square foot.

The lessons: Due diligence at the property level is not always critical. One person's viewpoint about the quality of a location or garden may not be yours. And, properties requiring more work and vision are often those with the highest ultimate rewards.

When the owner is a mystery man: 60 East 83rd street. I walked up the street to meet the broker representing 60 East 83rd Street, a 20 foot wide 10 unit building with a non-descript façade, in a prime location off Madison Avenue. The broker introduced a man who said he was the owner, who proceeded to give us a tour. Of the 10 apartments, 5 were rent stabilized and five were being used as short term rentals and would be delivered vacant at closing. A check of the title revealed that the man who introduced himself as the owner-was not. Actually the owner was a man by a different name who lived in Italy. Apparently the man I met had signed a contract to buy the building and could not afford to close. He was seeking to assign or "flip" his contract for a profit. He wanted a million over the contract price to flip. Though the building was worth it, buying a building on a flip is fraught with complications. What if the flippee is not telling the truth? What if there were other documents or even other sale contracts? As sale contracts are generally unrecorded, what if the contract was fraudulent? With this in mind I spoke with the broker and "owner" and told him I would buy the property, but only at the contract price and only from the owner. I said if he could not flip the contract in time, to let me know as I could close all cash in 30 days. Sure enough, I got the call a month later asking if I was interested in meeting the owner's attorney to take over the contract. I bought the building at a bargain price.

The house with the steeply sloping floors: 35 West 76th was a 20 foot wide mansion on a prime park block. Only one problem: part of one side of the house had sunk over half a foot. The floors were so unlevel it looked like a funhouse inside. Many of the joists supporting the floors were hanging in midair. And tenants were living in the building! It was a truly dangerous condition. A broker called me because the house had been on the market for a long time and no one would risk undertaking the project. The seller would not make any sale subject to physical conditions or allow any walls to be opened so the deal was stuck on the market. Having done numerous projects with complex foundation work, I thought I knew the answer. I called in multiple specialized engineers. We looked, and researched old maps showing underground streams, examined the neighboring homes and formulated a likely cause and solution. We negotiated a price which was fair to all parties, vacated the tenants, developed plans and obtained all approvals. Shortly after we started work, we discovered that the original builder had saved money by constructing part of the foundation out of wood instead of stone. He correctly figured that he would be long gone by the time the wood rotted and the 5 story high wall on top sunk to fill the void. We removed the remaining wood and the void was carefully refilled with steel and concrete. The old compromised wood framing in the house was then removed floor by floor and reframed with steel using laser levels. After the house was reframed and the infrastructure was set in place, Wolf sold the unfinished home for a then Upper West Side record price. The buyer then worked with our contractor to complete construction. Along the way, he customized the house to meet his family's needs, creating a superb and beautiful home. Now the house is among the strongest, safest, and most level townhomes in New York.

Further thoughts: I am never seeking the perfect house, as it does not exist. Each home has attributes and drawbacks. On balance, some properties are much more compelling than others. Any house can be transformed by careful planning, design and redevelopment into a beautiful, useable and uniquely autobiographical environment.