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## How a College Found a Home



The New York Times / Peter Freed

**315 Park Avenue South, where a lease was signed this month by the College of Optometry of the State University of New York. Kenneth D. Laub, left, real estate broker, and George Weinstein, consultant to British Land of America Inc.**

By ALBERT SCARDINO

For most of this century, Park Avenue South has been the poor southern relation of Park Avenue. From Union Square to 32d Street, where the mile-long boulevard joins its wealthier cousin, its median looks as if it were decorated with the hand-me-downs from the fancier blocks uptown.

In general, the turn-of-the-century loft buildings and apartment houses have never been able to command the rents of their counterparts up the avenue. Over the years, landlords subdivided their buildings for ever-smaller tenants, and it became almost impossible to assemble as much as 100,000 square feet.

Earlier this month, however, a lease was signed for 173,000 square feet of space at 315 Park Avenue South, at 24th Street. The lease, signed by the College of Optometry of



the State University of New York after years of complex multiparty negotiations, illustrates just how difficult it can be for a tenant to obtain enough space in the neighborhood to expand.

The negotiations involved, at one time or another, four different owners, three major banks, bonds issued

by the government of Puerto Rico, a British land development company and a Chicago real estate syndicator. They also, ultimately, included Kenneth D. Laub, a broker whose formidable negotiating talents in the past have won him consulting assignments with various state agencies on real estate deals.

The college is now settling into its



one-building campus — one of the more distinguished edifices on the avenue — which it has occupied since 1976, five years after it was established. In the last decade, as its student body grew, it had remodeled offices into laboratories and classrooms but, because the university system specified short-term leases, the college never felt it had a permanent home.

The school now holds an 18-year lease, but with an option to purchase the building from the owner, TM Associates, a limited partnership based in Chicago. That kind of option, while increasingly common for private companies in New York, is unheard of for state agencies (the university system operates as a public body), which either purchase real estate outright or sign a short-term lease, seldom longer than five years.

The agreement starts with a lease rate of less than \$15 a square foot (\$2.5 million a year), compared with a going rate of \$22 or more elsewhere on the avenue. At any time within the next three years, the school can purchase the building for \$53 million, receiving credit for certain out-of-pocket expenses for improving the building. The landlord must improve the elevators, the lobby, the electrical system and other fixtures.

It was in 1981 that the College of Optometry, a health service as well as a school, began to consider what to do when the lease expired in two years.

"We thought about moving to a building nearby that we wouldn't have to share with other tenants," said Dr. Richard Weber, the college's vice president, "but to duplicate the laboratories and classroom facilities would have cost \$15 million or more."

As the lease's expiration date approached, the college had not been able to reach agreement with the building's new owners, Leucadia Inc., a subsidiary of the Leucadia National Corporation. Leucadia acquired the property in 1983 for \$15 million after the former owner went bankrupt.

With a new lease with Leucadia in hand, the college began to look for a building it could buy. The first serious option was a building on Williams Street. However, the state could not move fast enough to buy the building, and even if it had, the lease with Leucadia still had four years to run. By early 1984, the school decided to hire a consultant: Mr. Laub.

"Real estate just wasn't our business," Dr. Weber said.

"At that point, the consensus was that the college would have to relocate," Mr. Laub said, "but they had also decided to stay in Manhattan. That's where their patients were and that's where the students and faculty wanted to be." That summer, Mr. Laub considered buildings along the lower portion of Avenue of the Americas and along Hudson Street.

Leucadia, meanwhile, had decided to sell the building. In August 1984, British Land of America Inc. acquired it for \$31 million. British Land, a subsidiary of the British Land Company P.L.C. of London, one of the largest property companies in Britain, immediately sat down with the college to ask what its plans were.

#### 'Had the Same Objective'

"When we met with Ken, it was obvious we both had the same objective," said George Weinstein, a consultant to British Land and a member of the company's board. "We wanted them to stay and they really did not want to move."

In May 1985, negotiations began in earnest. In the months that followed, the two consultants traded proposals and moved closer to the broad outlines of a deal. British Land, meanwhile, was syndicating the property, taking in partners who could take advantage of the tax losses the building offered while British Land supplied the financing.

Mr. Laub, a composer and songwriter in his spare time, approaches deal making like a showman, favor-

ing dramatic entrances, stage whispers and surprise endings.

"If things weren't going our way during a meeting," Dr. Weber said, "Ken would walk to the other end of the room and start making phone calls, putting his hand over the phone

from time to time and saying to us, almost as an aside, that we would have to start over again on the elevators or the lobby."

Mr. Laub's method is to start with a list of 25 or so items that need to be resolved — deadlines, lease rates, option dates — and then whittle the list down to four or five items. At that point, he begins adding more, sometimes returning to the original list to start the negotiating all over again.

Last summer, in the middle of the negotiations, Mr. Laub left for a three-week vacation in Europe. "When he got back, we had settled about 15 items on the list," Dr. Weber said. "He looked it over and, one by one, said: 'No, this one isn't settled. We'll have to go over this again.'"

Much of what Mr. Laub had to say amounted to posturing, Dr. Weber said, but the posturing served a purpose. To make a presentation to state officials in Albany, Mr. Laub chartered a helicopter to fly to the capital with two representatives from the college and one of his staff members. "I don't know that it impressed anybody else," Dr. Weber said. "We got to the meeting 10 minutes late because there was nowhere nearby to land, but it helped Ken get his adrenaline up for the presentation."

Much to the delight of the college, the State Division of the Budget accepted the proposal. It already had the approval of the chancellor of the State University, but it still needed the backing of the State Attorney General and the State Comptroller, which came within a few weeks.

"After 15 years of dealing from one short-term lease to another, we finally have the ability to settle down here in a permanent home," Dr. Weber said.