

## Bluestone sells former Ocelot Bronx portfolio for \$17.6M: source

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By Adam Pincus



From top: Bluestone principals Eli Tabak, Marc Mendelsohn and Ari Bromberg; from left: 1585 and 1589 East 172nd Street

The real estate investment firm the Bluestone Group, which denied for months it would unload a six-building portfolio of once severely distressed Bronx properties, sold the package for \$17.6 million, a source close to the deal said.

The sale, to an undisclosed buyer, closed yesterday as part of a bankruptcy case filed by the former ownership company BXP 1, controlled by investor Susumu Endo.

Bluestone, led by principals Eli Tabak, Ari Bromberg and Marc Mendelsohn, purchased the defaulted notes on the six properties, with a face value of \$13.15 million, for about \$10 million in June 2010, according to city property records.

Tabak, speaking for Bluestone, declined to comment on the sale.

[Bluestone](#), formed in 2006, has been an active player in the distressed real estate market, especially through [note purchases](#).

The Bronx units were in terrible condition in 2010, with Crain's reporting in July last year that there were 2,936 housing code violations on the buildings' 260 units, or 11.3 violations per unit. Yesterday there were 334 housing code violations, or 1.3 per unit, the city's Department of Housing Preservation and Development website shows.

Housing advocates believe the properties were overleveraged from the beginning. Ocelot Capital Group, now defunct, bought the buildings for \$16.5 million in 2006, city records show. Ocelot defaulted on the \$13.15 million mortgage held by Dime Savings Bank, and then [Sam Suzuki's](#) Hunter Property Management took over operations, but failed no better. Then Bluestone bought the notes from Dime for about \$10 million.

The source familiar with the deal said Bluestone put \$3 million into renovating the properties, but another insider was skeptical of the figure.

The apartment buildings have the addresses 1636 University Avenue, 1640 University Avenue, 1589 East 172nd Street, 1585 East 172nd Street, 1268 Stratford Avenue and 1350 Dr. Martin Luther King Jr. Boulevard.

Housing advocate Dina Levy, a director of organizing and policy at the Urban Homesteading Assistance Board, has been a critic of Bluestone's rehabilitation plan from the start, and has closely tracked this group of apartment buildings and other portfolios purchased with private equity financing, which fell into disrepair in the economic downturn.

She said she was shocked at the price, claiming that while Bluestone made broad repairs to clear most of the violations, the fixes were often cosmetic and the properties were falling into disrepair again.

"The [buildings] failed at \$13 million. Now they are at \$17 million. There is not a rational plan that would justify that sales price," Levy said. "This appears to be the fourth overleveraging of this portfolio in three years."