

REAL ESTATE WEEKLY

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Housing developers in it for the long haul

Back in the 1950's, an influx of less educated residents began to overtake Harlem's Ivy League graduates, doctors, lawyers and business people who had called Manhattan's largest neighborhood home for the longest time.

As it is with urban areas dominated by populations trapped by generational cycles of poverty, crime and drugs began to replace the poetry and jazz that had made the area world famous.

People packed up for Teaneck, Mount Vernon and St. Albans, leaving a brain drain, abandoning regal brownstones to become shooting galleries and later, crack-houses.

Forty years later, the cycle has reversed. Families, who would have once fled, have returned. With that new influx of a more formally educated population, has come services and rising prices, striking fear in residents, many of them middle aged and elderly, who lived, and suffered, through Harlem's hard times.

For Joseph Tahl and Rodney Propp, of Tahl-Propp Equities, it those latter residents, many of whom are too far along in life to obtain a post-Ivy League internship, that need rental protection so they can enjoy the community they had longed to emerge for so long.

"All these changes that are happening in Harlem, I think they are great," said company president Joseph Tahl. "They bring prosperity and opportunities for jobs. But everyone has to understand that, unless we have affordable housing, those who have lived there for decades will find themselves pushed out."

Both men said that their interest is not one that is fleeting, or based on following a hot trend.

"My family was originally from Harlem," said Propp the company's chairman. "My dad was born on 114th and St. Nicholas. My dad and uncle actually, for 15 years starting in the 1920's, lived in the Hotel Teresa."

"Joe lives on 113th street. We have deep, and sort of historical, and present connections to the neighborhood. That's another reason why we chose to do business there," he said.

The company owns and operates 17 affordable housing developments in Harlem and Washington Heights, along with another eight conventional rental buildings.

"It is nice to have some slice of Harlem that is market rate, but most of the rest we feel should be affordable, and most of our portfolio is," said Tahl.

But just because the bulk of their holdings are affordable units, doesn't mean they are shortchanging themselves as developers, the pair said.

Luxury properties are sometimes even more subject to investment risk and market downturns because of initial investment costs.

"In a subsidized program, we are getting the construction loan up

front," said Propp. "It's a 40-year amortization, you pay off the loan little by little until, at the end of 40 years, you've paid it all off. So you've paid for your building and you are getting your land for free."

This structure, they said, minimizes risk of not just default but income streams, which both men said is more delicate in situations where a landlord is dependent on tenants who either have moveable Section 8 vouchers or project based Section 8.



Rodney Propp (left) and Joseph Tahl

"There is a danger," said Tahl. "In a nightmare scenario where the government melts down, you could potentially have a problem. You need a check every month from the government. That's not true in these development projects. The tenants pay rent that will support the building, pay the operating costs, pay the debt service, and you have a long-term loan in place and you're done."

While it is true that the bulk of their residential holdings are in Harlem between 107th and 163rd street from river to river, Tahl-Propp Equities is not one dimensional.

The company owns the very exclusive Hermes Building at 693 Madison Avenue, 524 Broadway and 520 Broadway in SoHo, The Barclay's Wealth and Northern Trust Buildings in Palm Beach, Florida, and Three Gateway Center in Downtown Newark, New Jersey.

They duo also own seven condo developments and are set to break ground on their first 80/20 development on the corner of Third Avenue and East 121st Street that will feature studios through three bedrooms, a 150-car garage and 14,000 s/f of retail. The project should be completed by 2016.

The 80/20 prototype is being done voluntarily, said Tahl, who felt that the mixed income resident model is one where tenants will learn from each other to the advantage of everyone.

"When you put all types of people in the same place, they see that they are a lot more alike than they are different," said Tahl.

The duo said they already have an offer for half the retail space from a large national chain. They said that the 121st Street development, along with others that they will embark on in the near future, will address the need for new retail space in Harlem.

"You have a lot of the old tenement buildings, 15-20 feet wide on the avenues," said Propp. "A national retailer who is looking to open a big operation there is not going to be able to work out of a space like that."

Regardless of the project, the two said that their focus, no matter what the project, is on quality, not quantity. Their commitment to the residents, they said, is in more ways than one.

"We are creating essentially permanent affordable housing," said Propp. "It's all going to be brand new. You are not going to walk into it and say 'This is a dumping ground'."