

FOR IMMEDIATE RELEASE:

What the CitiStorage Property is Worth and Why No One In Their Right Mind Will Overpay for It

Brooklyn, New York June 9, 2016

A recent press report noted that the “leading” estimate of the value of the CitiStorage property is \$77-92 million dollars. The City just offered the owner Norman Brodsky \$100,000,000 to turn it into parkland. Brodsky *has not publicly indicated that he will accept that offer*, but rather has floated several different valuations for the property over the past year ranging from \$225-500 million. Like Donald Trump, his property's value depends on how he feels when he gets up in the morning. Earlier this week, Brodsky was quoted saying that he could not close a \$250 million dollar deal. He then turned around the same day and hired real estate firm Cushman & Wakefield to exclusively market the property as an office complex with a price tag of \$300 million. So what's the real value of the CitiStorage property? The answer is actually pretty simple and here's why.

The CitiStorage property got designated - along with several adjoining properties on the City map - for parkland in 2005. That mapping was the culmination of approximately 20 years of community efforts to create a park at that location. The process got formalized in the Williamsburg 197-a Plan, and became official with the 2005 rezoning. Then, in 2009, something significant happened - the City acquired one of the parcels for the park in a condemnation proceeding. The 2009 acquisition is significant because it triggered a legal rule called “The Miller Doctrine.” The Miller Doctrine comes from a 1943 United States Supreme Court case, and holds that a property owner in a condemnation proceeding cannot profit from any increase in value to lands surrounding the condemned property. Another case after Miller ruled that the full force of the Miller Doctrine comes into effect for all parcels marked from condemnation when a city acquires the first of those parcels. So, when the City acquired the parcel for the soccer field and Bushwick Inlet Park building in 2009, the Miller Doctrine's full force and effect came into play. The effect is that the CitiStorage property cannot be legally valued in a condemnation action as residential or commercial or anything but M-3 heavy industrial land -- the cheapest land value we have in New York City.

The Miller Doctrine has one escape hatch. Where there is a reasonable probability that a parcel will get rezoned in a reasonable period of time, the property can be valued at a higher zoning designation. The courts interpret the reasonable period for a rezoning time frame as 3-5 years, but Mayor de Blasio and Councilman Levin have closed off that option by stating publicly that the property will not be rezoned. So the Citistorage property is M-3. Brodsky's fantasy about winning Lotto with a residential valuation is not grounded in reality. That is why Brodsky is now marketing his property at its as-of-right zoning (M-3 heavy industrial uses), which can include office space and retail limited to ten thousand feet (i.e. no big box stores).

Given the application of the Miller Doctrine, valuing the CitiStorage property becomes a relatively simple undertaking, because there is no need to assess the property with different zoning scenarios, e.g. residential, commercial, etc. The property is M-3, the cheapest land value designation in New York City zoning. According to comparable sales, as well as consultations with industrial real estate brokers, the current market price for M-3 land is somewhere between \$125-150 per buildable square foot. According to the Cushman & Wakefield marketing materials, the CitiStorage parcels consist of 587,940 as-of-right buildable square feet. So, taking that number and applying it to the range for M3 land, the property is valued between \$73,492,500 and \$88,191,000. This is a revision down because Friends of Bushwick

Inlet Park was previously using 619,000 buildable square feet. Cushman & Wakefield's marketing materials include the lower number, acknowledging that Brodsky's claim to own the public streets around their property is probably illegitimate. This number does not address the extensive environmental clean up that the property will need to undergo prior to any development. Responsibility for this clean up may fall to third parties but will be an impediment to any development, as the property is currently being marketed, of offices or retail. The long-standing, extensive pollution on the CitiStorage site does not affect the valuation, although it will be a consideration for any prospective buyer other than the City, since the City has a plan to address the clean up of the entire Bushwick Inlet Park area.

Given the valuation, the City's \$100,000,000 offer is very fair, even taking into account the land's waterfront location. Brodsky bought his property knowing full well that the community had long dreamed of having a park there. He purchased the property for a fraction of the current value, and will reap an almost 20x return between when he bought it in the late 1990s and now. Whether or not people think that Brodsky is greedy, the value of his property is something that does not require a degree in rocket science. The law and the facts dictate that the City has made him a very fair offer that he should take. Also, if any speculative buyers think that this property is worth the risk of paying over \$100,000,000, the North Brooklyn community is united in having the City acquire the property through eminent domain. Those prospective buyers can overpay for the property, and take the risk of recouping their investment in a condemnation proceeding. They so do at their peril. And we promise a long, hard fight along the way.

FOR MORE INFORMATION:

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