

THE REAL DEAL

Manhattan House Tenants Again Escape Eviction

Appeals court lets residents proceed on retaliatory defense in long-running case

March 08, 2013 12:30PM
By David Jones

A New York State appeals court ruled Wednesday that a group of market-rate tenants facing eviction from the Manhattan House condominium can pursue a retaliation claim against the developers, overturning a lower court decision that threw out the defense.

The developers of the 200 East 66th Street condo conversion filed suit in 2009 alleging the tenants owed tens of thousands of dollars for staying beyond the expiration of their leases.



Manhattan House

However, the tenants argued that the developers were targeting supporters of the Manhattan House tenant's organization who raised numerous questions about the legality and financial viability of the project. The 35 market-rate tenants also complained about construction problems. One of their key legal arguments rested on whether supporters were being asked to pay higher rents than tenants who were unaffiliated with the group.

On Wednesday, a three judge panel at the New York State Appellate Division ruled that Judge Laurie Lau, who handed down the decision in the trial court, "strayed from the mark" by disallowing the retaliatory eviction claim. The ruling once again prevents the tenants from being evicted.

Manhattan House was acquired by O'Connor Capital Partners and Richard Kalikow in 2006 for \$623 million, one of the highest prices ever paid for a residential property in New York.

The developers took several years to sell apartments at the 583-unit building, which was converted this past September, according to documents filed with state regulators. As of January, the developers owned 305 units, of which 137 were occupied by tenants, according to regulatory filings.

The development was generating \$396,000 in rental income and \$414,000 in monthly common charges as of November. The developers, which no longer include Kalikow, have an outstanding mortgage balance of \$452,000 with HSH Nordbank.

Currently, 25 units are on the market, with an average asking price of \$1,775 per square foot, Streeteasy.com shows. A 3,500-square-foot four-bedroom unit is listed at \$7.36 million.

Adam Leitman Bailey, an attorney for the tenants, declined to comment. **David Fingerhut**, a partner at **Axelrod, Fingerhut and Dennis**, who represents the developers, was not immediately available. A spokesperson for Manhattan House declined to comment.