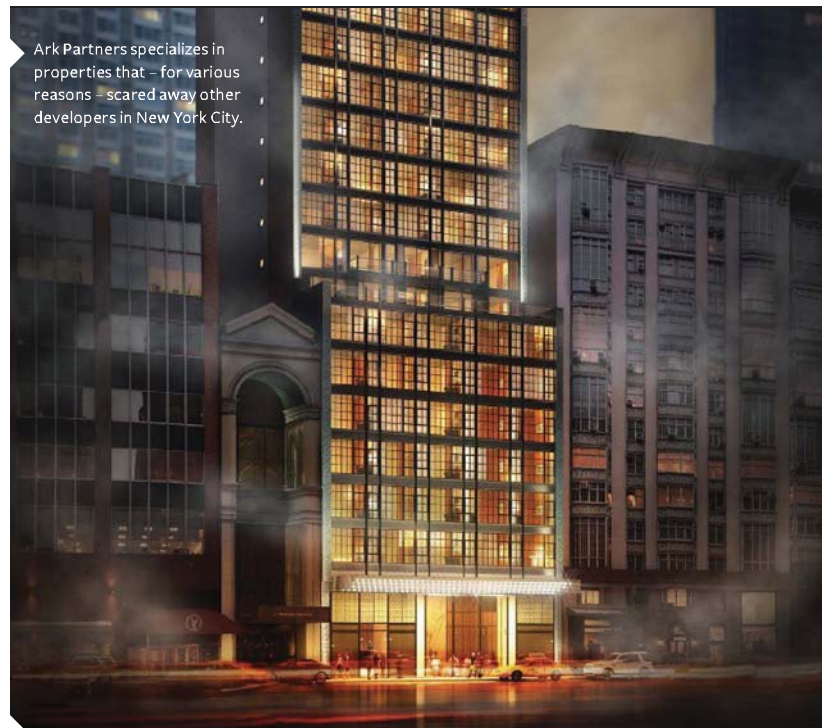


What A Deal

➤ Developer Ark Partners' calculated risk-taking has turned into success in the New York hotel market. *By Jamie Morgan*

"At the end of all of it, we were left with a very good asset for a very good price."

> Brad Reiss, CEO



Ark Partners specializes in properties that – for various reasons – scared away other developers in New York City.

Ark Partners – 120 West 57th Street

www.arkpartners.com

Location: New York

Budget: \$100,000,000

Project scope: 29-story luxury hotel

> **The only reason people take on challenges** is because they know there is a great possibility that the reward will outweigh the struggle. But there is still uncertainty that the bet won't work out after all. In the case of New York City-based developer Ark Partners, founder and CEO Brad Reiss explains that much of his company's success is based on taking opportunities that others deemed too complicated.

"Usually there is something the mat-

ter with the deal structure or there are legal or economic issues surrounding it," Reiss explains.

"These are things that didn't bother us, but things that bothered everybody else. Those are the projects we generally like to take on and solve those issues. And after each one of these deals, I assume it's the last one we will ever get to do, but it's been 15 years now and we have a living and thriving business."

Which is one of the reasons why New Yorkers will find Ark Partners in a number of transactions across different asset types. In some instances, properties may look good on the outside but are tragically wrapped in some turmoil that others may find unpalatable for several reasons.

Alternatively, they may look to find inferior properties in superior locations and move to reposition or improve the property. In either case, the team draws on years of experience to analyze problems with each potential investment and transform them into opportunities – whereas others may view the same problems as deterrents. A prime example was an asset engulfed in several hundred lawsuits, some stemming from fraud and employee complaints and others Reiss describes as frivolous. Instead of running the other way, as many other developers or investment funds had done, Ark Partners pored through each suit and resolved each one for less than expected.

"We noticed these pretty good properties that stayed on the market for a long time, but had a 10-year history of all these crazy lawsuits," Reiss explains. "We knew we could buy it a great price, and we made a decision that all those lawsuits that scared everyone away, we could resolve them. So we bought a bunch of properties like that and resolved all the issues fast and for less. And at the end of it, we were left with a very good asset for a very good price."

Ark's prowess in developing daunting projects applies to developing in daunting times, as well. Reiss explains that in the immediate post-9/11 era, people were hesitant to invest in New York City development. However, Reiss is a staunch believer in New York's ability to reinvent itself better than before, and ran head-first into a new market – hospitality. Even with the market's recent downward spiral, Ark Partners still invests in worthwhile deals. "I was familiar with the market from previous work with hotels, but I never thought Ark Partners

would have the opportunity to buy or develop hotels,” he says. “But it was post-9/11 and everyone ran away from New York, so I bought five hotels very inexpensively.”

During the '90s, before entering the hotel market, Ark mainly found opportunities in office and retail developments. Today, the company's portfolio is starkly different. “If you looked at Ark Partners today, you would think it was a hotel company that just so happened to own a bunch of different assets,” Reiss says. “But it wasn't designed that way, it just ended up that today the majority of our value and assets are in hotels.”

Ark has, in fact, become so engrained in the hotel market that it formed Willow Hotels, the property management arm for its hotel properties. And the hotel development didn't stop after a few years. In fact, in 2007, with the approaching and eventual collapse of Lehman Brothers, Ark Partners bought three appealing properties that others were unwilling to invest in during uncertain times.

Marquee Properties

One of those properties was 120 West 57th Street in Manhattan's Midtown district — the project is Ark's eighth hotel since 2002. “This project was negotiated in 2007 and closed in 2008 in anticipation of an economic crash and probable illiquidity in the debt markets, therefore suggesting to us a likely reduction of projected hotel supply for New York City,” Reiss said. “We are confident our timing could not be better, and we are fully prepared to introduce a luxurious lifestyle hotel that accents the prime location in which it sits.”

The 29-story, 130,000-square-foot luxury hotel sits in the 57th Street corridor next to Manhattan landmarks Bergdorf Goodman, Tiffany & Co. and Carnegie Hall. It also shares location with notable newcomers such as the new Time Warner Building and condominium 15 Central Park West. The con-

dominium was cited in 2007 as one of the most successful condominiums in New York due to its selling out of all 202 units in a year where people were reported to have stopped buying. Across the street from 120 West, another developer is

erecting a high-end condo with a Park Hyatt at its base that Reiss speculates will have hotel rates in excess of \$1,000 per night. 120 West will offer luxurious accommodations for significantly less.

“Generally we like to develop on the

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120 West features 46 luxury suites and the exterior is composed of glazed black brick and metal windows.

nicest street, and it doesn't need to be the nicest building on that street," Reiss explains. "We are very location-driven. When I looked at this building I saw the Time Warner building; I saw it as two blocks away from 15 Central Park West, close to 5th Avenue and Park Avenue where the Four Seasons sits and Carnegie Hall, which isn't going anywhere. I thought, this is where the future is going to be."

120 West will make its own unique mark on Midtown's future. The 250-guest room hotel, which includes 46 luxury suites, is being designed by Roman and Williams, the New York design firm that got its start designing Hollywood sets. It has since designed major residential projects for celebrities such as Ben Stiller and Kate Hudson, and commercial projects including the Royalton Hotel and the Standard Hotel.

The building's exterior is composed of glazed black brick and metal windows. The guest rooms and public areas will feature restrained but opulent décor reminiscent of what Roman and Williams describes as mid-century-modern design. The floor-to-ceiling windows, outdoor terraces and high ceilings offer sweeping views of Central Park from the upper floors. The bathrooms evoke classic 1930s New York apartment buildings with marble and tile details. The designers say the hotel recalls a "bygone area in hospitality that is absolutely befitting its location on this iconic street."

Ark's contractor conducted demolition from June 2010 until spring. Currently, the construction team is preparing the building's foundation and Reiss says super-structure construction will begin in late February. The entire project is scheduled for completion in 2013.

Reiss — the ever-involved CEO who is one of only two principals at Ark Partners who still signs every check — including every travel agent commission check that comes through his hotels — says he is keeping his eye on this flagship development at his desk via streaming video. ☺