

Philadelphia Inquirer, The (PA) Archives

About your archives purchase: Your purchase of **10** articles expires on **08/26/2019**. You have viewed **6** articles and have **4** articles remaining.

FIRM TRIES CONVERTING TO CONDOS HISTORIC LANDMARKS HAS BEEN SELLING THE APARTMENTS IN ONE OF ITS BUILDINGS. IT IS TRYING TO REDUCE ITS DEBTS.

Author(s): Anthony R. Wood, Inquirer Staff Writer

Date: November 24, 1991

Joseph B. Plower said that he liked living at BridgeView Place, in Old City, but that he was tired of "wasting" money on rent. The trouble was, he didn't have enough money on hand to buy a place.

So he views what happened a few months back as a supreme stroke of luck. The building's developer, Historic Landmarks for Living, began converting the BridgeView apartments to condominiums.

Under an installment-sale agreement, Historic Landmarks is requiring only a \$500 down payment. "That was the biggest thing," said Plower. "I could not come up with a down payment on a house at this time." And the settlement costs are even lower - \$0.

Since the IRS allows interest deductions for such mortgages, the actual monthly cost after factoring in tax deductions should be close to renting. The loans carry a 9 percent interest rate and are for 30 years.

Plower, 23, is one of more than 50 people who have signed agreements to buy units at BridgeView, the second Historic Landmarks building to undergo conversion. The **Wireworks**, also in Old City, was the first, and 77 of its 97 units are under agreement, the company said.

The conversions and the special financing arrangements are part of Historic Landmarks' strategy to confront a substantial debt burden and a softening of the rental market.

The company, which became one of the city's largest landlords by creating luxury apartments in abandoned commercial buildings, owes its creditors about \$150 million in first-mortgage debt, according to Randy Kessler, its executive vice president. GE Capital, its prime creditor, declined to comment.

The early returns suggest that Historic Landmarks' strategy is drawing takers. The conversions have gone so well, Kessler said, that the company plans to convert two more buildings in the city to condos within several months. Eventually, Historic Landmarks plans to convert all of its buildings, including 20 in Philadelphia.

The low-down-payment program is clearly appealing. It is generating business in an abysmal market, in a town where the condominium is hardly an institution.

It is not without risk or obligation, however.

By the end of the five-year installment-sale period, the buyer will have to acquire refinancing to pay off the balance before taking title to the property. Kessler said the company was shopping for favorable end-loan packages, important not only to the buyers, but also to Historic Landmarks and GE Capital.

He said that by the time buyers seek refinancing, they will have built up some equity in the property and should have established a solid credit history. After five years, buyers should have paid off about 5 percent of the principal.

Harvey M. Levin, chairman of the Pennsylvania Real Estate Commission, recommended that prospective buyers take a close look at the agreement. "My first statement would be: Show it to your lawyer."

"The only risk is, do you think it will be worth the value down the road?" said Allan Domb, the city's leading condominium broker.

Should the value of the units, which are priced from \$50,000 to \$135,000, appreciate wildly, buyers will have managed a huge bargain and stand to profit handsomely. Jay Lamont, director of the Temple University Real Estate Institute, says that is highly unlikely.

"These prices have never been achieved," he said. "We're not talking Rittenhouse Square."

Domb says condominium prices have dropped about 20 percent citywide in the last year, but he thinks that the worst may be over. "I think condo values in general have bottomed," he said.

Kessler argued that demand drives condominium values and that Historic Landmarks is the market in Old City.

"You can say anything you want about them," said Domb, "they essentially created Old City."

Domb, who months ago criticized the conversion of the **Wireworks** on the ground that its prices were way out of line with the market, said he had softened his view.

"I am more impressed with Historic Landmarks' transactions than I was before," he said. He said that for buyers like Joseph Plower, who want to live at BridgeView but don't have the down payment on hand, "it's a perfect situation."

For Theresa O'Neill, a recruiter for Med Temps Inc. in Philadelphia, the move to BridgeView is a chance to establish a credit history. "I'm 23 years old, and I wanted to try to establish good credit," she said. She also lost something in the deal: a commute from West Chester along purgatorial Route 202, all for the privilege of getting on the Schuylkill Expressway.

Margarita Rivera, 41, a government lawyer, said the low upfront cost attracted her and her husband, Larry, also 41, to BridgeView. "We needed a tax break," said Rivera, who has a 6-year-old son. "It was kind of a deal we couldn't refuse."

The financing plan is clearly drawing customers, a point underscored in a study by Realshare, a company that tracks new-home sales and activity. Between June 16 and Oct. 20, 291 prospective buyers visited BridgeView and more than 50 agreements were signed, according to Realshare's John Paolin Jr. In the same period, 314 prospects visited the sites of comparably priced units, but only 11 signed agreements.

"They're appealing to a specific market niche, the entry level," said Forrest Huffman, head of Temple's Real Estate Research Center. "What they're really doing is attacking the major problem."

Historic Landmarks also is attacking a major problem of its own - debt.

In the 1980s, the company changed the apartment landscape in Center City through its extensive rehabilitation projects. They were financed through partnerships whose investors received substantial tax credits.

A change in the tax law in 1986 dried up investment money, and a soft apartment market affected income. Kessler said occupancy in Historic Landmarks buildings is "in the high 90s," but the company has been unable to command Manhattan-style rents for its luxury apartments. (These days, Manhattan apartments have a hard time commanding Manhattan rents.)

In the short run, the conversions will improve Historic Landmarks' cash flow. Along with the down payments, the additional monthly fees will yield something closer to premium rents.

"At least Historic Landmarks is still around," said Domb. "They're in there fighting."

PUBLICATION: Philadelphia Inquirer, The (PA)

EDITION: FINAL

Section: REAL ESTATE

Page: L01

Technical problems: If you have a technical problem with your account please e-mail newslibrary@newsbank.com.

Copyright (c) 1991 The Philadelphia Inquirer