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REAL ESTATE

## Arbor Realty Trust Leads \$147M Recap for Brooklyn Resi Tower

By Andrew Coen

Michael Shah's Delshah Capital has secured a \$146.5 million financing package for its recapitalization of a newly constructed Brooklyn multifamily development that sits in an opportunity zone, Commercial Observer has learned.

**Arbor Realty Trust** provided a three-year, floating-rate \$61 million senior leasehold bridge loan with two one-year extensions for Delshah's 180-unit development at 22 Chapel Street near Downtown Brooklyn. The recap also includes \$59.5 million of fee title sale proceeds from ground lease company **Safehold** as well as \$26 million of equity from Delshah Capital and 270 **CrowdStreet** investors.

"We love the location but we also are attracted to the fact there is an affordable housing component," said **Alexander Kaushansky**, managing director at Arbor who originated the transaction. "It is a compelling deal right next to the Manhattan Bridge."

Kaushansky added that Arbor hopes to originate a permanent loan for the project in the

next 12 months as the property gets leased up.

Located at the corner of Flatbush Avenue and Chapel Street, 22 Chapel features 125 market-rate units and 55 designated as affordable for households earning up to 130 percent of the area median income, currently \$156,130 for a family of three. It also includes ground-floor retail space and below-grade parking.

Community amenities consist of a fitness center, a communal rooftop, bicycle storage, an attended parking garage, a social lounge, a library and coworking space, a yoga room and multiple children's playrooms. The project was designed by **CetraRuddy Architecture**.

"We make it our business to know how the commercial real estate capital markets are evolving, so we've watched with interest as crowdfunding has emerged as an innovative new equity source," Shah, founder and CEO of Delshah Capital, said in a statement. "We typically work with institutions, high-net-worth investors and funds. But with 22 Chapel, the asset really lent itself to a wider base of retail equity investors given its

opportunity zone and 421a tax benefits, new construction quality and ground lease finance structure that creates highly accretive current yields."

Because 22 Chapel is in a federally designated opportunity zone, investors in the project have opportunities for tax benefits such as a temporary deferral of taxes on previously earned capital gains. Thirty percent of the units are affordable, which also qualifies the property for a 35-year state tax benefit program under the since-expired 421a program.

Manhattan-based Delshah formed a joint venture in January 2019 with nonprofit **Start**, which landed a \$103 million debt package from **Bank OZK** and **EverWest Real Estate Partners** to acquire land for the development.

"On the day this offering opened to investors, the Dow dropped over 700 points and we saw more than \$20 million in offers from retail investors for the Delshah deal," **Ilya Gamer**, managing director at CrowdStreet, said in a statement. "It's a testament to demand for this product type in the New York market and for alternative assets in general."