



Owners Learn Pros and Cons of 1031 Exchanges at CHIP[®] Seminar

On February 6, 2008, CHIP[®] co-sponsored a seminar with Marcus & Millichap, a premier provider of investment real estate brokerage services, on "Buying and Selling Property Using 1031 Exchanges." The panel of speakers consisted of Peter Von Der Ahe, Director of Marcus & Millichap's National Multi-Housing Group, Glen Kunofsky, Director of its National Retail Group and Arthur Weigold, President of West 125th Realty Corp. CHIP[®] Treasurer Zachary Kerr of M & R Management Co, Inc. moderated.

Mr. Von Der Ahe explained that a 1031 tax deferral allows taxpayers to reinvest proceeds from the other sale of property held for investment or business purposes into another investment or business property, and defer capital gains tax that would otherwise be due on the initial sale. The exchange also permits deferral of depreciation recapture and state taxes. To do the exchange, you must identify another property to buy within 45 days of the closing date of the property you're selling and must close on that second property within 180 days of the closing date of the property you're selling. You must hire a qualified intermediary for the exchange—an independent third party to the transaction. The intermediary prepares the documents and acts as an independent escrow agent for the exchange funds.

By doing a 1031 exchange, you can increase your return on equity. Also, by deferring the capital gains tax, you have more money from the sale which you can use to invest in another, more valuable property.

Mr. Kunofsky and Mr. Weigold spoke of the advantages of selling a multi-family building (which may be subject to rent-regulation) in New York City and buying a triple net (NNN) property somewhere else. In a NNN property, the tenant is responsible for maintenance and expenses. This not only enables you to diversify your portfolio, it also makes it much easier for you to manage the property.

The speakers also explained why now is an opportune time to do a 1031 exchange. In the past, the market was moving fast so it was more difficult to do an exchange, given the time constraints involved. Now, however, the market has slowed down, but there are still properties available at great prices. So you can take time to do an exchange, but still get a good price. They pointed out this is especially true for owners of buildings in the New York market, given the potential changes at the Division of Housing and Community Renewal, the political uncertainty (for example, the recent harassment legislation), and the oil price increases and fluctuation.

Finally, the speakers outlined the following benefits of doing a 1031 exchange:

- Multiplication (sell one, but a few more);
- Diversification (residential to commercial);
- Increased cash flow; and
- Security and management relief.

If you want more information about doing a 1031 exchange, you can visit the Marcus & Millichap Web site, www.MarcusMillichap.com or contact Peter Von Der Ahe at (212) 430-5100, ext. 5114, email pvonderahe@marcusmillichap.com. ■

CHIP[®] Announces President's Club Luncheon

CHIP[®] will hold its annual President's Club Luncheon on Monday, March 31, 2008 at the Water Club on the East River in Manhattan. Our Keynote speaker will be City Council member Melinda Katz. Chair of the Council's Land Use Committee.

President's Club is CHIP[®]'s largest fundraiser of the year and we urge all CHIP[®] members and supporters to attend. Please contact the CHIP[®] office to reserve your place and to pledge your support. The challenges ahead for the real estate industry are significant both as regards economic developments, and as regards a changing political equation. The need for a strong voice is more important than ever, and your support of CHIP[®] is more important now than perhaps at any time in the past. Please plan to join us on March 31st. ■

Crisis Looming for Owners of Rent-Regulated Buildings

Owners of rent-regulated buildings face a major crisis as we move into 2008. The significant strides made by the real estate industry during the Pataki administration are all at risk, unless we take action soon. We now face a possible end to Republican control of the State Senate. Currently the Republicans hold the majority by only one seat, thanks to the result of a special election that was just held to fill the Senate seat of a Republican, James Wright. This seat went to a Democrat. This shift, coupled with the new administration at the Division of Housing and Community Renewal (DHCR), does not bode well for the real estate community.

What changes are we facing? One major concern is the possible repeal of the Urstadt law. This law, as amended in 2003, bars the City from adopting laws or ordinances regarding rent regulation, including the regulation of evictions. The City is allowed to decide only on the continued need for the existing regulation of residential rents or the removal of a classification of housing accommodation from regulation. If this law is repealed, there would be nothing to stop the City Council from imposing new and onerous rent regulations including the re-regulation of apartments that you have worked hard to decontrol over the past decade.

Another expected challenge is an effort to end luxury deregulation. This breakthrough has allowed owners to deregulate vacant apartments with a legal rent of \$2,000 or more per month, or occupied

apartments with a rent of \$2,000 or more per month if the tenants' and occupants' income was more than \$175,000 in each of the past two calendar years. There has been talk of increasing the rent threshold for luxury deregulation (making it extremely difficult to deregulate apartments) or eliminating luxury deregulation completely. Either change would be devastating for owners of buildings with rent-regulated apartments.

Other possible changes would affect an owner's right to collect major capital improvement and individual apartment improvement rent increases. Owners have reported to us that the DHCR has made it increasingly difficult to collect these increases—by denying applications based on technicalities or requiring an overly burdensome amount of documentation. These increases help owners pay for needed improvements to their buildings. Without them, we can expect more and more buildings to fall into a state of disrepair.

What can you do to help stop this crisis? One important step is to join and support **CHIP***, if you're not already a member. Our mission is to fight for owners' rights. Also, support those politicians who sponsor legislation that's favorable to our industry and who oppose legislation that's overly burdensome to building owners. **CHIP*** will keep you posted on who these people are. Finally, read the **New York Housing Journal** to educate yourself on the issues and keep up to date on what's happening in the industry. ■



SAVE THE DATE



PRESIDENT'S CLUB LUNCHEON — Our Keynote speaker will be Melinda Katz, member of the New York City Council 29th District, Queens and Chair of the Council's Standing Committee on Land Use. Invitations to the event have been mailed out. Please send back your response card by March 17, 2008.

When: Monday, March 31, 2008. 11:30 AM to 2:30 PM
Where: The Water Club, 30th Street and East River

BREAKFAST SEMINAR: ENERGY EFFICIENCY INCENTIVE PROGRAMS FOR BUILDING OWNERS: SAVE MONEY AND SAVE THE ENVIRONMENT — Learn how to make your building more energy efficient and money saving incentives for doing so.

When: April 8, 2008, 8:30 AM to 9:00 AM (Registration); 9:00 AM to 11:30 (Seminar)
Where: CUNY Graduate Center, 365 Fifth Avenue (at 34th St.), Concourse Level, New York, NY
Cost: Free to **CHIP*** Members; \$25 Non Members
How to RSVP: Call the **CHIP*** office at (212) 838-7442; email RSVP@chipnyc.org or register online at the **CHIP*** Web site, www.chipnyc.org.

SEMINAR: HOW TO COMPLY WITH THE NEW BUILDING CODE — The provisions of the City's new building code take effect July 1, 2008. Learn what you must do to comply with the new requirements. The seminar is co-sponsored with the Rent Stabilization Association and the New York County Lawyer's Association (NYCLA). Attorneys can earn CLE credits for attending.

When: Thursday, May 15, 2008, 8:30 AM to 9:00 AM (Registration); 9:00 AM to 12 Noon (Seminar)
Where: NYCLA, 14 Vesey Street, New York, NY
Cost: \$35 for **CHIP*** members and nonmembers who are NOT getting CLE credits. \$75 for **CHIP*** members getting CLE credits; \$100 for non-**CHIP*** members getting CLE credits.
How to register: Register online at www.nycla.org. But note that to get the \$75 discount price, **CHIP*** members getting CLE credits must register by calling NYCLA at 212 267-6646, ext. 215.

CHIP's 10th ANNUAL GOLF AND TENNIS OUTING — Watch your mail for the invitation and further details.

When: Monday, June 16th
Where: The Seawane Club, Hewlett Harbor, New York