

WHAT'S THE DEAL

MANHATTAN PONDICHERI SIGNS LEASE FOR NEW YORK EXPANSION

The Kaufman Organization, which made a high-profile deal last year securing four office buildings in the Madison Square area, has signed its first retail tenant for the portfolio, a Houston-based Indian restaurant.

Pondicheri will take a 3,363-square-foot ground-floor space at 15 W. 27th St. The 11-story building and the three other properties are undergoing more than \$34 million in renovations.

The buildings in the trendy Flatiron District and NoMad neighborhoods were part of a larger Manhattan property portfolio that had been the subject of a yearslong dispute between brothers Michael and Frank Ring. Extell Development Co. purchased the 14 properties in January of last year. A joint venture of Kaufman and Iowa-based Principal Real Estate Investors got the four buildings in a 99-year lease deal with Extell.

Kaufman wants to create "a kind of place that's hip and cool and our potential tenants want to go" in the retail space, said Kaufman partner Michael Heaner.

Pondicheri was a semifinalist in 2012 for the James Beard Foundation's best new restaurant award. This will be the restaurant's first location outside of Texas, said co-owner and chef Anita Jaisinghani.

"We are thrilled to be a part of what I think is the greatest food city in the world," Ms. Jaisinghani said.

—Keiko Morris

THE BRONX BOROUGH SEES INCREASE IN REAL-ESTATE SALES

Investments in Bronx properties from office buildings to rental apartment towers increased dramatically in 2014, bolstered by large sales of multifamily apartment portfolios.

Sales in the borough jumped 39% from last year to \$2.39 billion, according to a new report from Ariel Property Advisors, a real-estate investment sales firm. Multifamily apartment properties made up almost 70% of all the properties sold.

"We saw the appetite of investors to invest in larger assets," said Shimon Shkury,

president of Ariel Property Advisors.

Among the larger deals: the \$260 million purchase of a 35-building portfolio by a partnership of Related Cos. and the New York City Pension Funds. Those buildings will be maintained as workforce housing.

Bronx development activity, which has lagged behind other markets in the city, also gained momentum in 2014. Sites valued at \$129.7 million were sold during the year, an increase of 88% over 2013, the report said. Bronx deals last year included the \$32 million purchase of 101 Lincoln Ave. by a joint venture of Somerset Partners LLC and the Chetrit Group. They plan to develop residential and retail at the site.

Capitalization rates for apartment building rentals, a measure of annual returns on income-generating properties, fell from 7.71% in 2013 to 6.16% in 2014—another indicator of a strong market, the report said.

—Keiko Morris

NEW YORK REPORT CRITICIZES SYSTEM FOR TAX-EXEMPT BONDS

A new report by a housing advocacy group exposes flaws in New York state's system for allocating tax-exempt bonds that target affordable housing and economic development projects.

The little-known system every year leaves New York City officials hanging until the final months unsure of whether they will be able to close on all of their affordable-housing deals, the report by the nonprofit Citizens Housing and Planning Council says.

The report said that between 2005 and 2013 more than \$15 billion of bonds were sold to raise funds to make loans for both affordable housing and economic development. Of those, nearly 90% were ultimately issued by affordable-housing agencies, including for the construction or preservation of 49,000 units of lower-cost housing in New York City.

But each year the state is required by law to allocate one-third of its bonds to economic development agencies. Although the vast majority of those bonds were ultimately used to finance lower-cost housing, legally none of it was guaranteed, according to the report.

"It creates uncertainty," said Daniel L. Parcerisas, a policy analyst with the group.

A spokesman for the state Division of the Budget declined to comment but pointed to prior statements about the governor's achievements on affordable housing, including his \$1 billion Housing NY program.

—Laura Kusisto



Pondicheri will occupy a ground-floor space at 15 W. 27 St.

Peter J. Smith for The Wall Street Journal