

DEALMAKERS

Attorneys at Two Firms Represent Design District Seller

Dealmakers: Michael Denberg, Rebecca Abrams Sarelson and Matthew Sarelson

The Deal: The attorneys with Arnstein & Lehr and Kaplan Young & Moll Parron represented Russell Atlas in his sale of three properties in Miami's Design District for a combined \$65 million.

The buyers in the deal that closed July 22 were David Edelstein's TriStar Capital and RFR Holdings, two New York-based companies that developed the W South Beach hotel and in July bought two Lincoln Road properties for \$18.5 million.

Details: The price, which amounts to about \$3,300 per square foot, is a huge return for Atlas, an investor and real estate broker who purchased the parcels for \$1.9 million in the early 2000s and redeveloped them.

The properties are in the heart of the Design District, the once-gritty neighborhood now being transformed into an international luxury shopping destination. One of the buildings, the 10,300-square-foot Atlas Plaza at 130 NE 40th St., is home to the highly regarded Michael's Genuine Food & Drink as well as Rolex, Longchamp and Sebastien James. A second 4,700-square-foot parcel is behind the plaza at 135 NE 39th St.

Matthew Sarelson is the longtime personal counsel to Atlas. When the company decided the time had come to take advantage of rapid appreciation, Sarelson called on his wife, Rebecca, whose expertise is in



J. ALBERT DIAZ

Matthew Sarelson, Rebecca Abrams Sarelson and Michael Denberg represented Russell Atlas in the sale of three Design District properties for \$65 million.

tax and corporate law, and her law partner Michael Denberg, who focuses on real estate.

The timing was controlled by a build-out of the third property, a 5,000-square-foot building at 114 NE 40th St., which had to be completed before the sale under terms of the sales contract signed in December, Denberg said.

"The build-out was the time consumer," he said. "It has to be permitted and completed and then delivered and inspected" without any liens on the property. The building re-do was not intended for any particular tenant, he said.

They also had to resolve two mortgages on different buildings. One was paid off. A small second one had a lockout clause and could not be paid off until this month, or months after the build-out was to be completed and the sale closed. The buyers assumed that loan.

"Assuming a loan is probably five times more difficult than getting a new one," Denberg said. "Any assumption of debt is cumbersome, regardless of the amount."

Atlas wanted to close as expeditiously as possible, so it was important to keep the build-out on track and find solutions to the mortgage matters.

"Like all sellers of property, once they commit themselves to sell, they want to capture the moment and get to the closing table as soon as possible to minimize any operational issues," Denberg said. They also want to avoid the risk of changes in market conditions, interest rates and other factors that could affect the valuation of the property.

Rebecca Sarelson concentrated on corporate and tax matters.

"I have to look at the (ownership) structure the client is in, help them do an analysis of

what the net tax effect is going to be to them and what techniques we can employ that will help minimize that or defer it," she said. "There is no one-size-fits-all solution for any seller."

Because of the build-out, some of her attention went to what was being spent on the project and properly accounting for it, which affects the transaction cost and net tax. She also made sure the price was allocated appropriately among the three parcels to get the most favorable tax result.

As counsel to Atlas, Matthew Sarelson communicated with him for the team and interpreted contractual issues that came up.

"The Design District is fast becoming the most important luxury retail district in the world," Edelstein said in a statement at the time of closing. "This site has tremendous long-term growth and development potential."

Comment: "I think the sale of this property is just another example of a property owner selling off long-term assets to take advantage of the rapid appreciation we have seen in these up-and-coming areas like Wynwood and the Design District," Rebecca Sarelson said.

Background: Denberg is managing partner of Arnstein & Lehr's Fort Lauderdale office and co-chairs the firm's Florida real estate practice group. Rebecca Sarelson is a partner in the firm's Miami office. Matthew Sarelson is counsel with Kaplan Young & Moll Parron in Miami.

—Mary Hladky