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Mo Vaughn's home runs

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Six months after Mo Vaughn set up Omni New York in 2004, the fledgling real estate firm struck, snapping up a 286-unit affordable housing complex in the Bronx. By the end of its second year, Omni New York had tripled its holdings to a total of 869 units.

As far as most people were concerned, however, Mr. Vaughn was still a Mets first baseman, even though his baseball career ended in 2003.

"I wanted people to take us seriously and know that we were the real deal," says Mr. Vaughn, who is seated at a Brooklyn eatery with his partner, Eugene Schneur, explaining his transition from baseball hero to real estate mogul—albeit one whose new uniform includes not just sharply tailored suits but large diamond-encrusted hoop earrings. "I wanted respect."

These days he's got it—not as the American League's former MVP but as the managing director of one of the city's best-regarded and most active buyers and managers of affordable housing. Along the way, Mr. Vaughn and company have earned a place as one of the city's top choices for turning around distressed residential properties.

Today Omni ranks as a midsize firm capable of competing with the bigger players, swallowing up sprawling properties such as the decrepit 14-building, 416-unit complex in the South Bronx that Omni bought the mortgage on at a foreclosure auction—with the city's blessing—in December. "Given their track record, they are ideally suited to deal with troubled projects," says NYC Housing Preservation and Development Commissioner Rafael Cestero.

Since 2004, Omni has spent over $500 million buying and rehabilitating 21 affordable-housing buildings with a total of nearly 3,500 units in the Bronx, Brooklyn, Long Island and as far away as Wyoming. The majority of the buildings they own and manage are Section 8 buildings, whose low-income tenants rely on federal vouchers to help pay their rent. Omni finances its deals using tax-exempt bonds and the proceeds from the sale of low-income-housing tax credits.

Making money and doing good

That is exactly what it did when it acquired the Noble Drew Ali Plaza in the Brownsville section of Brooklyn—the 2007 deal that put Omni on the map. At the time, the five-building complex with 358 units was a haven for drug dealers and addicts, its hallways urine-soaked and graffiti-lined and its apartments crumbling.

Omni purchased the property out of bankruptcy for $23 million with financing from various city agencies, including HPD, as well as federal grants. The developer then poured $25 million into refurbishing everything from new elevators and energy-saving appliances to 326 security cameras. After two years of work, Messrs. Schneur and Vaughn capped off the revitalization by giving the complex a new handle: "The Plaza."

"Noble Drew Ali, without a doubt, was one of the most complicated projects [we've seen]," says Mr. Cestero. "They restored it to a quality place for people to live by taking a very aggressive approach to renovating buildings."

Today Mr. Vaughn, who played for the Boston Red Sox in the 1990s, spends most of his time on the operations side of the business, working with Omni's construction, management and maintenance teams, while Mr. Schneur focuses on the dealmaking.

"I'm the eyes," said Mr. Vaughn, who got his start in real estate by investing in Manhattan nightclubs with help from Mr. Schneur, then his attorney. "I make sure that everything that needs to get done gets done."

In fact, Omni was his idea. In Ohio, where Mr. Vaughn spent his off-seasons, he met a developer successfully buying affordable housing using tax credits and decided to try the concept out in New York.

"They are smart people," says Lisa Gomez, executive vice president of affordable housing developer L+M Development Partners. "They get how to do affordable housing and look to the double bottom line [of making money and doing good]."

Size doesn't matter

But competition for distressed properties is increasing as the drought in luxury housing deals drags on. Meanwhile, the price of tax credits—a key currency in such deals—has plummeted by nearly a third, forcing Omni to scramble for more state and city subsidies to fill the gap.

"We used to be able to get deals done without subsidies," says Mr. Schneur.

Omni's rapid growth also presents challenges. By year's end, it expects to have close to 5,000 units. For a firm whose two founders visited their early holdings as many as four times a week, the sheer scale of the portfolio now makes maintaining that degree of oversight difficult—even with the aid of a staff at its midtown headquarters that now numbers about 120.

"We can't cut corners and be complacent," says Mr. Vaughn. "If we continue to be humble and work hard, we will be fine."

In fact, Mr. Vaughn and his partner are stepping up their act. Prior to the market collapse, Omni had been priced out of Manhattan. Mr. Schneur recalls one deal where Omni bid $20 million for a Manhattan building that went for $30 million.

Last month, Omni had better luck, buying its first Manhattan properties—two Section 8 buildings in Harlem with 53 units—for $5.5 million. Now, as a number of big, financially troubled properties, including Lawrence Gluck's 1,230-unit Riverton in Harlem, make their way through foreclosure, they are weighing a bid. Even Manhattan's vast middle-income oasis Stuyvesant Town-Peter Cooper Village looms as a potential target.

"Size doesn't matter," says Mr. Vaughn. "They fit within our philosophy of preserving decent affordable housing."