

# Mo Heart, Less Hype

**F**ounded in 2004 by former Mets and Red Sox slugger Maurice "Mo" Vaughn and his attorney, Eugene Schneur, Omni New York has quickly made an impact in the arena of affordable housing. The company's strategy? Purchase properties with some of the worst reputations in New York City, generously upgrade units and amenities, and still keep the projects 100% affordable, while providing a valuable service to long-suffering residents. Last month, a judge awarded the firm the right to purchase the 385-unit Noble Drew Ali Plaza, a dilapidated, crime-plagued compound in Brownsville, Brooklyn where tenants had successfully sued previous owners for withholding heat, water and other basic necessities. Omni intends to spend upwards of \$20 million in upgrades, beginning with 350 security cameras. In less than three years, the firm has acquired more than 1,300 rental units, mostly in the New York Metropolitan area, with another 700 currently under contract.



**Mo Vaughn, former baseball player, and his attorney Eugene Schneur, founders of Omni New York**

**RENY:** How did the two of you come together to form Omni New York?

**Eugene Schneur:** I was Mo's attorney, actually, and was doing some business deals for him. It was Mo's idea to get more involved, and do something in the housing arena.

**Mo Vaughn:** When I knew my time in baseball was coming to an end because of my injuries, we were able to get a meeting with Mayor Bloomberg. I was living in Columbus, OH and had been trying to get into the business with some other guys. The Mayor suggested low-income housing would be a good area to focus on. Gene and I were able to understand the business, and went to work from there. We definitely didn't expect it to snowball like it has in a very short period of time.

**How would you characterize your strategy?**

**ES:** We literally started the company on June 1, 2004. It was just Mo and I, and we had some sublet space in an office suite.

In two-and-a-half years we have acquired 1,300 units of affordable housing that is all Section 8, or has some component with Section 8. We acquire everything with a combination of bonds and city- and state-issued tax credits. We've done these deals all over the Metro area—Hempstead in Nassau County, Yonkers. We buy them, rehab them, and keep them affordable. Our strategy is to do as many of these as possible

**MV:** That's our core business. We think we are bringing a service to these communities. All you need to do is go and look at one of these properties and you can write your own story. It's good business and we're doing some good.

**What have you done to improve the properties you've picked up?**

**MV:** The first thing we do is secure the properties. We just put in 280 cameras at

our Yonkers property. Once you get that in place, it makes for better living conditions. You speak to people and you find out they are prisoners in their own apartment buildings. They can't come out after dark. We want to make them feel secure. Then we are going inside to do the rooms, the brickplan, the windows, all the elevators, the common areas, the boiler rooms, everything else. We fix the cabinets, sinks, bathrooms, do your floor if you want that to be done. Just the whole nine yards of repositioning the property, and fixing it up to proper living standards.

**ES:** We also like to add some sort of touch to the properties. Like in the Bronx, in the first two deals we did, and also in Brooklyn now, we build a computer lab for the tenants. We offer computer classes for kids, teenagers and adults. The classes are free of charge, for tenants only. For the adults, it's actually a Microsoft certifica-



Photos: Larry Racioppo (2)

**The Thessalonica Court Apartments in The Bronx (left), were purchased by Omni New York in 2005, and subsequently rehabbed. The Brookhaven 1 Apartments, a four-building complex located at 197, 205 Brook Ave., 198 and 202 Brown Place in the Bronx, were purchased along with the Thessalonica.**

tion class. Hopefully it can help somebody get a job or a promotion at their job. We have community space in the Bronx where we offer ESL classes.

#### **How do you choose properties?**

**ES:** We look at a lot of deals, which all have one thing in common: they've all been very distressed, and they all have some Section 8 on them, whether it's project-based Section 8 or vouchers. It has to remain affordable. When it's not distressed, it's not for sale, we've found. Where there's no way to keep it affordable, we don't do deals. We're not going to buy anything where we have to take out of the affordable housing stock.

**MV:** Affordable housing is needed in New York, and it's needed across the country. We have chosen to go that route, and we're going to stick with it.

#### **I understand in this latest purchase, the tenants of the complex actually sought you guys out?**

**ES:** Noble Drew Ali Plaza is an interesting situation. It's one of the worst properties in New York City, between the crime and how run down it was, and how the previous owners had abused the property. Nobody in America or anywhere should have to live like this. The tenants had organized with the help of Brooklyn Legal Aid and Councilman Charles Barron, and put enough pressure on the landlord where the property ended up in bankruptcy. We bid on it in bankruptcy and were chosen by the creditors' committee and everybody else involved. The judge just approved the order. We're going to close in May or June of this year, and the rehab will take 12-18 months. We're spending \$20-\$23 million, and every apartment is being painted, given new floors, appliances, bathrooms. It's going to have 350 security cameras and a new playground.

#### **As a business, why would you purchase such a distressed property?**

**ES:** If we didn't think we were going to make money on it, we wouldn't buy it. The approach we have taken to the tenants is going to be very helpful. Everyone has Section 8 vouchers, but there's no place to go—there's no available affordable housing in New York City.

#### **Have you had difficulty in securing loans?**

**ES:** The first two properties were difficult because we had no track record. Traditionally everyone goes to Fannie Mae and Freddie Mac to credit enhance the bonds in these sort of deals. The way the business was being run in the affordable housing industry on these bonds and tax credit deals, transactions were taking 12-18 months to do. When we did our first deal in the Bronx, we signed a letter of intent in September '04, and closed in December of '04, which is an unheard of timeframe for a tax credit bond deal. What we did is we went to four banks, and pitched the idea of them stepping up and credit enhancing the bonds. Everybody else turned us down, but Citibank bought into our idea, and have done every single deal with us since then.

#### **Are you going to remain focused on New York?**

**ES:** We just closed on a tax credit deal in Gillette, WY. We've looked in Miami, everywhere.

#### **Are you just doing rehabbing, or are you getting into new development?**

**ES:** We're actually just finishing up a garden-style complex right now, and by April will be totally done. We have 40 units of affordable housing in Waterloo, between Syracuse and Rochester.

#### **Do you think you'll ever be able to do a ground-up development in New York City?**

**ES:** People do 80/20 deals with components of affordable, but to do 100% affordable deal like we're building in Waterloo or our rehab deals, it is impossible.

#### **Mo, how would you compare the competition in baseball to the competition in real estate?**

**MV:** Baseball's a team sport, but you can have a horrible record and still be a great player. This is a total team thing—we have to come together to figure out if we're going to do a deal, to make sure we close a deal. We also have to stay together to keep our projects and apartments running well. Everyone has to pull their weight and make it happen. When you get a deal and you've got to close, your adrenaline rush definitely hits. I don't think it can be what baseball is, but it's the closest thing. To get that high of doing deals and executing and making things happen, you want to continue to get that feeling all the time.

#### **Do you think people being familiar with your name helped you in getting started, where banks and other entities might not have understood your game plan so quickly otherwise?**

**MV:** I don't know.

**ES:** Mo's downplaying it, he's being modest. It definitely was a huge help. We worked hard afterwards to execute but, as a door opener in speaking to the banks and the Mayor's office, it was key.

**MV:** It got us through the door but my name doesn't get the work done. We're able to do a lot because Gene and Rob Bennett, a joint venture partner of ours, get in there, and we can execute much quicker than others. —RENY