

# Hello Living Files for Bankruptcy on East Flatbush Project

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New York

## Hello Living staves off foreclosure on East Flatbush project, for now

Developer put project into bankruptcy a day before Madison Realty Capital was set to hold a UCC auction



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Eli Karp's Hello Living is making a do-or-die attempt to save its prized East Flatbush rental project.

Hello Living Developer Nostrand LLC, the corporate entity of the 1580 Nostrand Avenue project, made the filing in federal court in Rockland County on Tuesday, one day before lender Madison Realty Capital was set to hold a UCC foreclosure auction on the equity interests in the development.

In a strange twist, just hours before Hello Nostrand filed for Chapter 11, Brooklyn investor Abraham Leifer of Aview Equities, claimed to have a contract to buy the project for \$83 million, including a \$1 million down payment, according to a court filing. Leifer's attorneys were seeking to stop the auction.

Neither Leifer's attorney nor Leo Fox, Hello Living's bankruptcy attorney, responded to requests for comment.

By filing for bankruptcy, Hello Living has, at least temporarily, halted the auction and remains in control of the property. The Brooklyn-based firm can now seek out rescue financing. It is unclear what will happen with Leifer's alleged contract for the property.

Karp said in an affidavit that Madison is alleging claims of over \$69 million. He said he will attempt to settle with the lender, his one-time adversary.

A Brooklyn native, Karp sought to construct luxury rentals in an area that had yet to be gentrified, south of Prospect Lefferts Gardens near Little Caribbean. He bought the site for \$13 million in 2014. Of the 210 units planned at Nostrand Avenue, 95 are completed, a marketing brochure for the property shows.

Karp alleges he was wiped out of business by Madison. After buying a number of loans, the lender "manufactured defaults," on his loans for 1580 Nostrand Avenue in order to charge millions of dollars in default interest at a rate of 24 percent, Karp claims.

He alleges that Madison Realty forced the loan into a forbearance plan that required him to take out a \$8.3 million mezzanine loan, of which \$4.5 million went to pay default interest. Madison then filed the UCC notice.

Madison has strongly denied the allegations.

The lender's lawyers argued that Karp voluntarily agreed to take on the mezzanine debt and the terms of the loan. When he did not meet those terms, Madison took action.

In late October, a New York Supreme Court judge in Rockland County ruled in favor of Madison, allowing the lender to go forward with the sale of the equity interests and most likely take control of the property.

A month later, a judge in Brooklyn also sided with the lender, granting Madison's motion to dismiss Karp's fraud allegations. Karp is appealing that decision.

Greg Corbin, a bankruptcy and foreclosure specialist at Rosewood Realty, has been spearheading the UCC sale.

Faced with foreclosure, developers often will put their project's corporate entity into bankruptcy, which gives them additional time to restructure and secure financing to pay off lenders.

Madison Realty Capital, led by Josh Zegen, Brian Shatz and Adam Tantleff, is among the more active lenders in New York City's commercial real estate market.

UCC foreclosures are ticking up across New York. Traditional foreclosures are still banned under a statewide moratorium, but in a UCC proceeding, the lender takes control of indirect equity interests in a property, not the property itself. That remains legal.

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