Brooklyn school used old appraisal for NYU merger

By Jane C. Timm

Brooklyn engineering school Polytechnic University failed to re-evaluate its real estate holdings during merger negotiations with New York University, according to a critical state Senate report that slammed the controversial merger.

State senator Kenneth LaValle, a Long Island Republican, chaired the Senate committee that produced the report, which called Polytechnic's actions "inconsistent with the duty of care that the Board owed to Polytech."

Polytechnic and NYU have been in merger negotiations for over three years. Both schools' Trustee boards approved the merger this spring and it now awaits government approval. The state education department's Board of Regents is set to discuss the merger late this month.

The deal would make NYU the effective owner of Polytechnic and its considerable real estate holdings in Downtown Brooklyn.

Opponents at Polytechnic have said NYU was more interested in a land grab than carrying on the historic school's academic mission. The Alumni Association was especially vocal in its opposition to the deal and approached several government offices in search of someone who could intervene, leading to the report by the state Senate Committee on Higher Education.

The university used a real estate appraisal from 2005, which valued Polytechnic's real estate holdings at $213 million dollars, the report said.

Chris Thomas, Brown Harris Steven's managing director for Brooklyn sales, said that the years since 2005 to were "definitely a period where there has been a substantial increase in value," Thomas said. "It's been particularly evident in the area where Polytechnic has its holdings."

Thomas said that most banks won't accept a real estate appraisal that is more than a year old. Since the credit crunch, however, banks are looking for appraisals within the last six months, he said.

The report, which the Brooklyn Paper first reported on, faulted Polytechnic on three accounts: the use of an old real estate appraisal, a delay in Polytechnic's revaluation, and a lack of intervention by the state's higher education committee.
notifying the Board of Trustees of merger negotiations, and the exclusion of trustees who opposed the deal from merger discussions.

But NYU and Polytechnic deny any wrongdoings.

Craig Matthews, chairman of Polytechnic's Board of Trustees, said that the merger was "was not viewed as a real estate transaction," and did not need an updated real estate appraisal. NYU spokesman John Beckman agreed and said that the appraisal was not necessary.

The Alumni Association, however, disagreed.

"Any prudent member of the board of trustees would have realized that an updated appraisal would have been necessary," said Ed Sawchuk, Executive Vice President of the Alumni Association.

Sawchuk said that the Senator's findings "speak for themselves." He added: "The deal from the start has not been presented to the Board of Trustees. I can only speculate as to why they chose to [negotiate] in secrecy."

The highly contentious Polytechnic-NYU merger negotiations have long been shrouded from the public. In February, members of the Alumni Association said that Polytechnic issued a gag order to the Board of Trustees.

LaValle requested that the Polytechnic trustees delay their final vote until they could look into the negotiations. The board postponed the final vote for one month, though LaValle's investigation lasted for four months.

The New York Times reported that New York Attorney General Andrew Cuomo was also investigating the merger. Cuomo's office did not return phone calls from The Real Deal.

LaValle could not be reached for comment.

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Anonymous

"Thomas said that most banks won't accept a real estate appraisal that is more than a year old. Since the credit crunch, however, banks are looking for appraisals within the last six months, he said."

This article is garbage. Proof is in the above. Banks want a current appraisal, not a 6 month old one. But with that said, banks think the values have gone down, maybe to the point that a mid 2005 appraisal starts to look like a mid 2008 appraisal in some hoods. But then again, appraisals are garbage, as most NYC appraisers are just MAI's as are their reports.

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