

DECEMBER 2012

PROFILE

Simone says

With medical, hotel and retail projects, Bronx developer is the big fish in a small pond

BY GUELDA VOIEN

In the Bronx — where interest in development is meager when compared with Manhattan and Brooklyn — one company has repeatedly wagered its capital and has become what many sources say is the borough's most dominant developer.

Simone Development Companies owns more than 100 commercial properties, many of which are in the Bronx.

In the past five years, its portfolio has expanded by 1 million square feet. The firm is currently knee-deep in several of the largest development projects underway in the Bronx.

Last month, the company struck a deal with Montefiore Medical Center on a new \$142 million ambulatory surgery center. The hospital is building out the 280,000-square-foot facility itself, but Simone will own it and lease it back to Montefiore for 16 years. At the end of the lease, Montefiore will have the option to buy the building.

That project will be located at Simone's 42-acre Hutchinson Metro Center complex — a project that opened in 2008, providing the borough with its first Class A office space in more than 10 years. Many say the complex is having a transformative impact on the Ferry Point section of the Bronx.

Simone is also in the process of developing a 125-room Marriott hotel there. The Marriott, which is slated to open in 2014, will be the borough's first brand-name luxury hotel, sources said.

"Much like Condé Nast's lease [at One World Trade Center] was transformational for Downtown, the Hutchinson Metro Center was transformational for the Bronx," said Cushman & Wakefield's Tara Stacom, who handled leasing at the first office tower built at the complex.

As if that weren't enough, Simone also just inked a deal for 43,000 square feet with L.A. Fitness at the Metro Center Atrium, the latest building going up at the Hutchinson Metro Center campus.

And sources say Simone's Hutchinson project has spurred strong interest from investors — both domestic and international — in the surrounding area.

"I brought some [international investors who have EB-5 visas] from China past Yankee Stadium, and they weren't interested [in the area]," said Marlene Cintron, president of the Bronx Overall Development Corporation, a city-run group that works to spur developments in the borough. "I took them to the Hutchinson, and they were impressed."

Bronx roots

Joseph Simone, the current head of the firm, launched the company with his father, Pat, in the late 1980s.

The business got off the ground when the elder Simone, who worked as an ice delivery boy in the Bronx as a kid, began buying up real estate for the small salvage and truck business he owned. He ultimately dropped that business and became a commercial landlord full time.

"Nobody thought that anyone would rent a nice office in the Bronx, but [Simone] took a risk, and that paid off," said the source. "They have a strong cash position — they are smart, but gutsy."

City council member James Vacca agreed.

"[Simone] has done something we never thought possible with that site," said Vacca.

Meanwhile, last year, Simone and

the \$40-per-square-foot range — slightly discounted because T.J.Maxx will serve as a "junior anchor," said Joseph Simone, although he noted that rents will increase over the course of the lease.

Sources say while Simone is in the business of making money, it is also committed to bringing the underserved Bronx up to par with the four other boroughs. While the firm will build, finance, lease and manage properties, it won't work on



From left: Joseph Deglomini Jr., principal at Simone Development; Joseph Simone, president of Simone; and Joseph Kelloher, president of the Hutchinson Metro Center.

"We're here to try and serve a niche. When we find an area that's underserved, we feel that spells an opportunity — and we try and up the use."

JOSEPH SIMONE, SIMONE DEVELOPMENT COMPANIES

Then in the 1980s, he began developing.

But in the last 10 years, the firm has dramatically increased its stake in the Bronx, sources say.

"His father was in the business before him and they go by the old model: You buy and you hold," Cintron said. (Simone continues to keep it all in the family, grooming his daughter, Patricia, to take over the family business.)

But working in the Bronx has required the company to take risks.

For example, when it began plans for the Hutchinson Metro Center in 2001, "It was considered a risky proposition," said one well-connected Bronx political source who asked not to be identified.

Manhattan-based developers Aaron Malinsky and Paul Slayton also bought a former U.S. Post Office in the Throggs Neck neighborhood for about \$35 million. They then struck a deal to sell Target a retail condominium, which makes the discounter the anchor tenant at the site, which they've dubbed the Throggs Neck Shopping Center.

Last month, Simone, the lead developer on the project, inked deals with the restaurant chain Applebee's and Metro Optics Eyewear for 6,640 square feet and 4,131 square feet, respectively. And it locked in clothing retailer T.J.Maxx to a 29,000-square-foot, 25-year lease.

Rents in the latter transaction were in

anything more than a 60-minute drive from its Westchester Square offices, Simone said.

"They are cash-rich and are able to buy these large complexes that are antiquated for industrial uses and create centers out of them," said Neil Dolgin, president of commercial brokerage Kalmon Dolgin, which is active in the Bronx, but has not worked directly with Simone.

Simone completes deals with its own equity in combination with some debt financing, a source said. On some deals it brings in additional equity investors but is known for having its own cash to spend.

Continued on page 102

That's not to say that Simone doesn't have competition from other developers.

The Lightstone Group, a privately held real estate owner and manager with assets in Texas and California, recently bought the Whitestone Multiplex Cinema site in Castle Hill for \$30 million. It's planning to redevelop the site as the borough's first outlet mall. And earlier this year, Prestige Properties broke ground on the Mall at Bay Plaza adjacent to Co-op City, the first new suburban-style mall in New York City in the past 40 years. (The Throggs Neck Mall is still being redeveloped.)

But as Simone put it: "Our advantage is that we can move quickly. That is what separates us from the institutional players.

"We're here to try and serve a niche," Simone said. "When we find an area that's underserved, we feel that spells an opportunity — and we try and up the use."

Big fish, small pond

For Simone, there are significant benefits to being a big fish in a small pond.

For one, politicians in the Bronx are often more welcoming toward developers than they might be in other boroughs, Vacca said, explaining that many of his council colleagues in Manhattan are looking to prevent new projects rather than start them. But Vacca and other Bronx politicians greet developers with open arms because they "bring disposable income" to the borough.

In addition, Simone has maintained a solid reputation.

"There are a lot of people up there who are sneaky, but not him," said Dolgin. "People know him."

Stacom said she didn't "really know Joe" before working on the Hutchinson site, but praised him and described him as a hands-on developer who was personally involved in the project — from the big-picture vision down to the commuter shuttle from the No. 6 subway. She and others also underscored that he delivers his spaces on time.

"If I have an opportunity to bring a tenant to the Bronx, my first call will be to Joe," Stacom said.

Even when a deal doesn't pan out, the company has been accommodating.

Cintron recalled when the city's Economic Development Corporation approached Simone a few years ago to submit a bid for the 149th Street corridor, a project now known as the Hub. Cintron said Simone met with EDC to express interest in the project, though the company said it never formally submitted a bid. Despite the fact that another developer — Queens-based Triangle Equities — was awarded the project, Simone allowed Cintron access to his buildings, which are adjacent to state-owned properties, so that she could show the space to investors.

"It took him a little while to simmer down ... but he realized what the community needed," she said. **TRD**