

Attorney claims Statler is worthless

*He says market value
is well below zero*

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The empty Statler Towers is now in such bad shape, with no cash flow and an abundance of expenses, that the building's market value is well below zero, an attorney for the bankruptcy trustee is arguing in a filing with a government agency.

According to the submission by attorney Peter Allen Weinmann of Wolfgang & Weinmann, the Statler is now worth negative \$12.184 million, not the \$3.5 million that currently appears on the city's tax rolls. In the filing, Weinmann refers to the 90-year-old Statler as a "100% vacant, decrepit building."

The attorney, who specializes in assessment challenges, said this is the first time he's aware of that anyone in the state has argued for a negative net worth for a major building.

"That is unprecedented statewide," said Weinmann, himself a former Statler tenant whose law firm vacated its own office this month.

"We've never ever, in 25 years of doing this, estimated a negative value for a property," he said.

City officials could not be reached to comment Friday afternoon. A hearing will be held Feb. 1 before the city's Board of Assessment Review.

Weinmann is arguing for the drastic reduction in value on behalf of Morris Horowitz, the trustee in charge of overseeing the Statler's bankruptcy. The papers were submitted this week to the New York State Board of Real Property Services to challenge the current assessment on the 18-story, 750,000-square-foot building.

A successful argument would reduce the tax burden on the building, cutting the costs that Horowitz and the U.S. Bankruptcy Court must address. Additionally, since city and county property tax bills "are not extinguished in bankruptcy," they "continue to mount, accruing interest and penalties."

Landmark is called a disgrace

STATLER • from D6

"These mounting taxes act as an economic disincentive to any potential savior who may wish to salvage the landmark that has become a disgrace for the city of Buffalo," Weinmann wrote in the filing.

The filing is the latest step in the ongoing saga of the Statler, which was built in 1920 as a leading luxury hotel that once defined elegance and launched a chain. More recently, it has deteriorated from years of neglect, and now sits vacant across from City Hall.

Former owner and British developer Bashar Issa was forced into involuntary bankruptcy last year, and the building was auctioned off for \$1.3 million to a local investment group led by Park Lane Catering owner William Koessler. But Koessler's group has not been able to close the deal, and was declared in default.

Meanwhile, Horowitz had refused to guarantee utility service to the 30 remaining tenants prior to the auction, so oc-

cupancy plummeted from 30 percent to 10 percent by the time of the sale, "further eroding the already meager income stream."

With no new buyer, the court authorized Horowitz to mothball the building, evicting the remaining tenants.

As a result, the building has no income or cash flow, but already owes \$23,540 in 2008 county taxes, \$20,032 in 2009 county taxes and \$140,500 in city taxes, for a total of more than \$184,000, including interest and penalties.

Also, Weinmann noted, two independent appraisers, representing Horowitz and the city, have both testified that an investor would have to spend \$70 million to \$80 million to properly renovate the building to produce an income. It's more likely that an investor would pay far less for the building, demolish it, and build afresh "upon one of the most high-profile parcels of urban property in the state," outside New York City, Weinmann wrote.

So the attorney estimated that the building likely faces an-

other \$8 million in remediation costs, \$3 million for demolition and \$1 million for salvage of debris, based on estimates from the decommissioned Dulski and Donovan office buildings and the War Memorial Auditorium. That yields the negative total value.

This is the third time Weinmann has challenged the assessment on the Statler. Four years ago, following unsuccessful efforts to negotiate an assessment reduction with the city, former owner Northstar Development took the city to court and won an order reducing the assessment from \$3.5 million to \$1.3 million.

When Issa bought it, Weinmann had the city held in contempt of court because it had ignored the previous court order and restored the \$3.5 million assessment since that's what Issa paid. And while Koessler's group agreed to pay \$1.3 million in August, even that value isn't valid now, Weinmann said.

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