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(TEL) 631.993.0080 (FAX) 631.993.0081



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From the ground up

The Dermot Company seeks to distinguish itself in the crowded New York City real estate development space with its integrated approach, reports Glenn Richardson

The New York City real estate development market is every bit as crowded as the island of Manhattan itself. To set itself apart from others in its industry, The Dermot Company Inc. has focused on diversification, building a rounded business that includes developing, investing in and managing multi-family housing units in New York and, more recently, across the country.

Founded in 1991 as a real estate developer, Dermot today uses a range of techniques and business models, from ground-up development to buy-and-hold strategies, turnaround assignments and adaptive reuse, an approach the company says gives it the flexibility to get involved with a variety of projects. With 50 employees and about \$300 million worth of projects in the works each year, Dermot has had a hand in many high-profile building efforts over the years. While it still engages in direct development—using its experience to navigate the permitting and construction challenges of building in Manhattan—Dermot can also be found managing multi-family and mixed-use developments after they are occupied,

and partnering and joint-venturing as investors with other third parties.

Past and current Dermot partners include Citibank, Equity Residential Properties, Fannie Mae, Grosvenor Investment Management US Inc., Guaranty Bank, the New York City Housing Development Corporation, the New York State Housing Finance Agency and the New York City Economic Development Corporation.

Examples of those partnerships include Clinton Green, a 15-story, luxury residential and retail project built with backing from the AFL-CIO's Building Investment Trust and completed three full months ahead of schedule. Dermot also partnered with the AFL-CIO's investment arm on The Opal, a 388-unit apartment project in the Kew Gardens Hills section of Queens that was the first new large-scale residential project in that area in two decades.

One of the more unique projects in the Dermot portfolio is the project now known as Archstone Clinton. The project includes 633 units of housing, two residential towers and a

three-theater complex that includes a half-dozen condominium lofts. Dermot won the right to build the project after a request-for-proposals process run by the New York City Department of Housing Preservation and Development and also secured financing through the New York State Housing Finance Agency, with the project having the distinction at the time of being the largest ever funded with tax-exempt bonds by the agency. The project—which included 15,000 square feet of public outdoor park area and had 20 percent of the units set aside as affordably priced housing—also won certification as a green facility from the Leadership in Energy and Environmental Design (LEED) program of the US Green Building Council.

The project was complicated by its location. It was built in the air rights over two active Amtrak railroad lines connecting to nearby Penn Station, with construction and excavation work having to be done in cooperation with the railroad's needs. Dermot is now operating the development in partnership with Archstone Smith.

Dermot has also had a hand in renovating and reusing some New York City landmarks. It is redeveloping One Hanson Place, one of the tallest buildings in the borough of Brooklyn and a nationally recognized landmark built in 1927. The luxury condominium project is just across the river from Manhattan and also includes some 75,000 square feet of retail and professional office space.

Outside of New York, Dermot has been involved in developing a number of garden-style apartment communities, often with a similar high-end bent to them. Dermot helped develop Champions and Nor'Wood, a 332-unit luxury garden apartment complex in a master planned community in Colorado Springs, Colorado.

Not all of its projects are new developments, however. For instance, in Charlotte, North Carolina it acquired The Timbers, a gated community of 343 housing units centered around a historic mansion reused as a clubhouse, later reselling the project. In Wichita, Kansas, it purchased a portfolio of six properties known as Village Park, sinking an additional \$8 million into renovations that helped boost rents and reduce expenses.

Dermot has also developed expertise as a co-investment partner, taking part in joint ventures

with developers and investors or providing capital as a managing partner to a project, or by providing mezzanine capital to enable multi-family and mixed-use projects to be completed, using its size and financial strength to secure financing that other developers may not have access to. For instance, Dermot partnered with Clipper Capital by investing in the purchase of 403 units of a 535-unit gated co-op apartment complex in Queens. It also entered into a joint venture agreement as an investor with Apollo Real Estate Advisors and Metropolitan Housing Partners to buy and convert buildings at 505 Court Street and 204 Huntington Street in Brooklyn, a deal that will result in 184 new condominium units being available for sale, with nearly 200,000 square feet in total.

Dermot also operates a subsidiary, Dermot Realty Management Co. Inc., that specializes in the day-to-day management of multi-family apartment communities and has a number of projects now under management both in New York City and across the country.

One of the challenges now facing Dermot is the redevelopment of the Battery Maritime Building. After winning the right to develop a 140-room luxury hotel atop the historic structure, Dermot will also develop the great hall of the maritime building—a 100-year-old structure historically used as a docking point and depot and for river ferries that once carried passengers between Manhattan and Brooklyn—into a public use component. Dermot has said it expects to spend \$60 million on that part of the project alone, though the original idea of converting the space into a public market proved unfeasible for various reasons.■

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