

# Grand Island apartments sold for \$3 million in LLC deal

BY JONATHAN D. EPSTEIN

NEWS BUSINESS REPORTER

Two local real estate investors traded a 40-unit apartment complex on Grand Island last month in a legal transaction that effectively hid the purchase price of nearly \$3 million from public view.

Timothy J. Waterman of Getzville acquired the Islebrook Apartments at 1301 Ransom Road from Donald G. Hoke.

The purchase price was recorded as just \$1 in the deal between Islebrook LLC and Islebrook Apartments LLC. Both are registered to Hoke's Grand Island address so that the transaction appears to involve identical parties.

But a source familiar with the deal confirmed that Waterman acquired the second limited-liability company after the property transfer. And Erie County Clerk records then show that Waterman simultaneously took out a \$2.32 million mortgage on the property from CNB Bank. Since lenders typically loan no more than 80 percent of the value of a property, based on a sales price, that yields an actual purchase price of about \$2.9 million, which the source familiar with the deal also confirmed.

Both Hoke and Waterman are experienced real estate investors, but are not related or otherwise connected. Waterman owns a 12-unit property on Elmwood Avenue in Kenmore and a property in Lakewood. Hoke owns other properties.

Hoke's attorney, David Brody, declined to comment, citing his client's confidentiality, but said that the appropriate state transfer tax was paid.

Waterman and his attorney, Ambar Bhargava, did not respond to a request for comment.

Islebrook, which sits on 3.2 acres, includes four two-story garden-style apartment buildings, with 20 one-bedroom and 20 two-bedroom apartments. The buildings are located at 1301, 1307, 1319 and 1325 Ransom.

The property had been listed for sale in 2016 at \$3.75 million by broker Brian Heine, and then



reduced to \$3.3 million by early 2017.

The deal is similar to one a year ago in which Buffalo Sabres and Bills owners Terry and Kim Pegula acquired a former manufacturing building at 79 Perry St., next to the KeyBank Center.

Like Waterman, the Pegulas acquired the limited-liability companies that owned the building, instead of directly buying the building itself. They also paid \$1 on paper, but \$7 million in fact, according to transfer tax documents filed at the time in the Erie County Clerk's Office.

Such transactions – while completely legal – effectively mask the purchase price from municipal assessors, real estate appraisers, real estate brokers and the general public. As such, they've been called into question by local assessors and other real estate professionals, including the chair of the state Bar Association's Real Property Law Section.

Municipalities are not supposed to use such sales for "spot reassessments" of a property, but the technique also means the purchase cannot be used as a comparable sale for other transactions and valuations.