

Real Estate Group Of The Year: Kramer Levin

By **Nicole Narea**

Law360 (February 13, 2019, 3:49 PM EST) -- Kramer Levin Naftalis & Frankel LLP attorneys advised the Walt Disney Co. on the acquisition and redevelopment of its new headquarters in lower Manhattan and the disposition and \$1.2 billion sale of its Upper West Side properties, earning them a spot among Law360's Real Estate Groups of the Year.

The deal, which was closely tracked by Disney executives, involved a novel 99-year lease structure of a parcel owned by Trinity Church, one of the oldest landowners in New York City.

The firm also advised VICI Properties in connection with its \$749 million acquisition and leaseback of real estate assets owned by the casino company Caesars Entertainment Corp. and modifications to certain existing lease agreements between the companies.

"The work that we're getting and the work that we look for is complex, sophisticated work where there is a lot of money on the line," real estate group chair Jay Neveloff said. "Our value is in the complicated situations and, as the real estate market is turning, we're getting busier and busier."

The Manhattan-based practice group is composed of 47 lawyers compared to about 375 in the firm overall, catering to a diverse client base ranging from Fortune 500 clients to individuals, developers, private equity funds, real estate investment trusts and public companies. The practice group has not brought in a lateral partner for more than two years, but it is actively hiring at the associate and counsel level.

The group reflects nearly 20 percent of the firm's revenue, which is unusual among comparable firms. Clients see Kramer Levin, unlike its competitors, as a destination for real estate work, Neveloff said.

"We're not considered a service department," he said. "When we need litigation, corporate or tax help, we warrant the greatest attention. Real estate has always been one of the marquee practices for the firm and, at least for the past dozen years, has been a big part of the firm's culture and how we hire."

Neveloff said the group's condominium practice alone is the biggest in New York state in terms of dollar volume of projects. Among its portfolio are Moynihan Station, the \$1.6 billion project to transform the James A. Farley Post Office adjacent to Penn Station into a new hub for Amtrak and Long Island Rail



Road passengers, and Hudson Yards, where a massive redevelopment project has been underway on the west side of Manhattan.

"If you look at the 57th corridor, we have had very deep involvement in almost every one of the super tall buildings," Neveloff said.

In the past year, the firm has closed a series of high-value real estate deals with big players.

A Kramer Levin team led by Neveloff counseled Disney in its \$650 million deal announced July 9 to acquire the rights to 4 Hudson Square, a site owned by Trinity Church, for 99 years. The site features 1.2 million buildable square feet and will house Disney's New York operations, as well as office and production spaces for WABC-TV, ABC News, "Live with Kelly and Ryan," "The View" and Disney Streaming Services.

"Just the nature of the parties involved — Disney is Disney, say no more," Kramer Levin partner Tzvi Rokeach said. "Trinity is a long-term player here in the city. They have owned property downtown for 300-plus years. You're talking about two very significant institutions that are teaming up to create this long-term partnership to develop this parcel downtown into Disney's new headquarters."

The deal involved a unique structure in that it was a transfer of fee interest for a period of time as opposed to just a lease, Rokeach said. Disney paid for its ownership interest all up front, rather than a leasing situation in which rent is paid annually, which created some unique issues. For example, one of the questions the attorneys faced was what would happen if Disney were to violate a term, such as failing to maintain the property, in one of the 99 years it held the ownership interest.

The firm further advised Disney in the sale, concluding July 10, of its Upper West Side ABC campus, including nine buildings, for \$1.2 billion to Silverstein Properties.

The practice has also been advising VICI on an ongoing basis in acquisitions and lease renegotiations.

The practice group's involvement with VICI goes back to October 2017 when it was representing bondholders holding approximately \$4 billion in bonds issued by Caesars in connection with the bankruptcy of Caesars Entertainment Operating Co., the largest division of Caesars.

As part of the firm's representation of the bondholders in that bankruptcy, Caesars was restructured and the bondholders walked away with the equity in VICI, a then-newly formed REIT that owns a significant portion of Caesars real estate and leases it back to Caesars. VICI came out of that bankruptcy as an independent company and is now publicly traded with approximately \$8 billion in market capitalization.

"We were instrumental in creating the REIT and negotiating the formation documents by which VICI acquired the real estate of 18 different casinos, including Caesars Palace Las Vegas and leased them back to Caesars," Rokeach said.

In the most recent deal announced in May, VICI acquired Octavius Tower from Caesars, which did not initially come to VICI in the bankruptcy, as well as a Chester, Pennsylvania, casino facility. VICI and Caesars also renegotiated their lease agreements to "make it work in the real world," Rokeach said.

"We've been fortunate to continue having a relationship with VICI since the bankruptcy," he said.

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