

## Nonprofits sell space to prosper

Rising property prices give groups chance to transcend downturn's funding setbacks

BY DANIEL GEIGER

Late last week, when St. John's University announced it will put the 10-story TriBeCa home of its business school on the block in a sale that could generate as much as \$200 million, school officials signaled they thought the time was right.

"Our sense of the real estate market right now is that it's extremely strong and coming back even stronger," said Martha Hirst, St. John's chief operating officer and treasurer, of the decision to sell the building at 101 Murray St.

A growing number of nonprofits are coming to a similar conclusion and

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## Arena rivals vie for NBA All-Star gig

Tip-off's not until '15, but MSG, Barclays already playing to win

BY CHRIS BRAGG

Two years before the tip-off of the 2015 All-Star Game, a behind-the-scenes game is playing out over which of New York City's two basketball arenas will get to hold the marquee event.

The NBA has all but announced that the game will be in New York City in 2015. One venue option for the league is Madison Square Garden: The home of the Knicks is the oldest

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**FUN WITH FILINGS:** James McGown's many bankruptcy petitions are not the only reason he's raised neighbors' hackles.

VILLAGE VOICE

## So many Chapter 11s, he could write a book

James McGown buys, bankrupts and bruises from Village to B'klyn

BY ADRIANNE PASQUARELLI

For nearly 140 years, P.J. Hanley's served beer to New Yorkers. In 2005, James McGown bought it. Late last month, Brooklyn's oldest bar went bankrupt.

The Chapter 11 filing was Mr. McGown's fourth separate bankruptcy petition in the past 12 months, and at least his sixth since 2009, in a recurring strategy the real estate developer, restaurateur and bar owner has used to keep his checkered collection of properties and retail businesses afloat.

Since 2008, he's faced at least \$50,000 in fines for two buildings in disrepair, according to city records, and attracted repeated community complaints and lawsuits from residents in both Brooklyn and Manhattan. And to top things off, he's also been flagged for owning a TriBeCa basement condo that newspaper tabloids described as a "sex cave."

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# Bankruptcies

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"People who have dealt with him know he's notorious," said Mikael Levin, an artist who bought his Gowanus, Brooklyn, residence from Mr. McGown in 2009 and now lives next door to two dilapidated McGown properties. "But he always seems to stay one step ahead."

In the world of small business, where community standing can mean everything, Mr. McGown seems to ruffle feathers wherever he goes. Online, anonymous tenant complaints include allegations of unreturned security deposits and deplorable building conditions. Businessmen with unpopular reputations are not particularly unusual, especially in a city as diverse as New York, but they can slow down, or even ruin, the process for the next would-be entrepreneur.

## Soured relations

When Mr. McGown petitioned Brooklyn's Community Board 6 last year for a sidewalk permit for his two-year-old Brooklyn Buschenschank beer garden, his disregard for neighborhood concerns soured the proceedings. The request was denied. "We approve most of these things—this is a rarity," said Glenn Kelly, a member of the licensing committee of CB6, noting that the association has reacted poorly in the past when business owners have tried to circumvent the process. "But [Mr. McGown and his partner] were just so foolish."

Until last summer, Mr. McGown was most famous for a 2010 lawsuit

alleging he and a tenant used a basement condo for raucous sex parties, angering the building's board. That case was settled. As both a landlord, primarily of residential properties, and a tenant for his commercial businesses, Mr. McGown has more recently come under fire for his string of Chapter 11 bankruptcy filings, racking up at least \$14.4 million in unpaid debts.

About a decade into his real estate career, Mr. McGown diversified into hospitality with the purchase of P.J. Hanley's, according to affidavits submitted to New York state bankruptcy court.

Soon after, he bought Park Slope's Cherry Tree bar, which filed for bankruptcy after four years under his ownership. He also lasted two years as owner of a bar in Boston called the Bulfinch Yacht Club before it went under. In 2008, he expanded his empire even further with the opening of South Brooklyn Pizza, a chain that grew to five units.

Bankruptcy hasn't diminished his appetite for risk. Mr. McGown has spent the past eight years snapping up properties in foreclosure across the five boroughs. Bankruptcy court affidavits list him as the owner of at least 17 properties, including a dozen in the Bronx and a condo on Long Island. Yet his real estate corporate entities mentioned in those affidavits—Gowanus Inn



**JAMES MCGOWN** has drawn community fire.

Inc., East River Mortgage Corp. and 137 Beach Corp.—are all in bankruptcy. Another, 47-78 Douglass St., filed for Chapter 11 in 2009, and the case closed in January.

In August, Mr. McGown filed a Chapter 11 petition for South Brooklyn Pizza. He pleaded insolvency for P.J. Hanley's late last month; the bar stopped operating Sunday, St. Patrick's Day.

The court documents mention landlord-tenant disputes, which some bankruptcy experts consider a potential red flag, since Chapter 11 could be used as a strategy to avoid a rent increase on the space Mr. McGown leases. It's not abnormal for multiple entities to be controlled by the same person, but the arrangement raises the risk that funds from each are being commingled.

"It's definitely an area worthy of investigation [by the bankruptcy court]," said Warren Usatine, a partner at law firm Cole Schotz.

When reached by phone, Mr. McGown had no comment on his businesses, beyond a mention that an auction of P.J. Hanley's would occur at 11 a.m. on March 18. He said a sale of the pizza chain "could be next."

Jonathan Pasternak, the DelBello Donnellan Weingarten Wise & Wiederkehr attorney representing Mr. McGown in the P.J. Hanley's case, said his client was consenting to a dismissal of the bankruptcy petition. He had no comment on Mr. McGown's other petitions.

Mr. McGown's restaurant manager, Ruben Alban, said the bar will be rebranded and open again in a few weeks. "Operating a bar always has hiccups and community issues to deal with," he said. "It's a battle. You try to go with it." He added that the pizza chain is not for sale.

In a recent interview with *The Brooklyn Paper*, Mr. McGown blamed P.J. Hanley's landlord (Mr. McGown does not own the building where the bar is located) for wanting more in rent. One of the property owners, Deborah Hanley, a former P.J. Hanley's owner, declined to comment, though she told the local paper that such charges are untrue.

Mr. McGown's other bars, the Cherry Tree and Buschenschank, remain open.

People who have had dealings with Mr. McGown describe a shrewd operator who cares only about winning and tries to get through litigation what he can't get through negotiation. He can be outrageous, too—for instance, showing up hours late for a meeting with potential buyers of his property.

## Variations on a name

Mr. McGown's public persona can be murky: He has filed lawsuits and bankruptcy petitions under variations of his name—McGowan, for example—and is associated with several LLCs, including one called Brooklyn Entertainment, which is often listed as a creditor in his filings.

Carroll Gardens residents complain of the roaring noise from Court Street's Buschenschank—which, like most beer halls, keeps its windows open—and what they describe as Mr. McGown's refusal to even entertain a compromise. Simi-

larly, he made few friends on the Lower East Side when, in seeking a liquor license for his pizza chain two years ago, he publicly labeled the area's community board "infamous."

Mr. McGown has also downplayed negative health-inspection grades for his eateries. For example, Buschenschank received a C rating in September, but a "Grade Pending" sign still hung in the window this month. The Department of Health and Mental Hygiene said the C grade should be posted.

Such behavior hasn't endeared Mr. McGown to his neighbors.

"He wasn't even conciliatory toward members of the community who wanted to talk to him about making it better," said Katia Kelly, a 28-year resident of Carroll Gardens who encountered Mr. McGown at a community board meeting last year. "It was clear that he had contempt for anyone who stood in his way."

There may be more at stake than neighborly relations. Some locals say Mr. McGown's practices are slowing retail growth in their areas.

His Gowanus properties at 555 Union St. and 557 Union St., for example, sit in blatant disrepair on a block where pricey shops are moving in. Mr. Levin, the artist who lives next door, said the buildings had been graffiti-covered eyesores for several years and often attract squatters and vagrants. The entrances were sealed up and the graffiti painted over earlier this year, Mr. Levin said, but he still fears the structures' peeling siding, which often flies into his garden and property.

"There are a lot of positive things happening all around us," he said. "But why doesn't anything happen there? It's a real drag on the block." ■