

Changes Afoot At 16 East 64th Street

"What is the story about 16 East 64th Street? What about the St. Anthony Club of New York?" These are questions that many fraternity members are asking this fall as a series of planned changes begins at 16 East 64th Street in New York City. In the 36 years since 1952, when those facilities moved north from their previous midtown Manhattan location, 16 East 64th Street, a six-story townhouse just off Fifth Avenue on the Upper East Side, has served as the national headquarters of the fraternity and the location of the St. Anthony Club of New York.

In fact, 16 East 64th Street is only the most recent of several sites in Manhattan that have served as both the national headquarters and as the St. Anthony Club of New York since the mid-nineteenth century, when the fraternity was founded in 1847 at Columbia University. Then, Columbia was located at the present site of Rockefeller Center in what is now midtown Manhattan. The 16 East 64th Street property was purchased in 1952, when a syndicate of St. A's privately raised the necessary equity capital to form 16 East 64th Street Corporation, a New York stock corporation.

Since that time, the property has housed the St. Anthony Club of New York and the national headquarters of the fraternity. Its ownership is controlled by the Fraternity of Delta Psi, Inc., and the St. Anthony Educational Foundation, Inc.; the tax-exempt graduate organizations of the Yale and Trinity chapters hold additional blocks of shares; and the balance outstanding is held by other chapters and by various individual St. A's or their heirs.

By the early 1980s, it was becoming increasingly clear that the St. Anthony Club of New York's operations were not economical at the present location and that its needs should be reassessed and its operations restructured. In efforts to enhance its viability, the club took in group associate member organizations that occupied space in the building. Two of the club's attributes, its unfavorable location for luncheons and its lack of athletic facilities, put it at a competitive disadvantage. By 1986 the club's board of directors scaled back services and began planning for the future.

As recently as 1984, the property's appraised fair market value was about \$1 million. The property boom in residential real estate in Manhattan during the recent bull market of the 1980s has changed that. The scarcity of Manhattan townhouses (only about 600 are still standing, and few of those are in such a prestigious location) has driven the value of the property steadily upward. By early 1988 (after the stock market crash of 1987), the

property's appraised value exceeded \$3.5 million.

For almost 24 months, a group of individuals active in the fraternity's national affairs has been focusing its efforts on developing a plan regarding these matters. A group that became known as the Ad Hoc Planning Committee was appointed at the 1987 G.C. convention in New Orleans to address long-term strategic issues affecting the fraternity's future. This group, composed of leaders of the Fraternity of Delta Psi, Inc., the St. Anthony Club of New York, 16 East 64th Street Corporation, and the G.C. Executive Committee, quickly focused on the importance of securing the national fraternity's financial future to assure that the organizations' goals regarding the strength of the chapters and the quality of the undergraduate experience could be maintained for the long-term.

The property at 16 East 64th Street is by far the national fraternity's most valuable asset. By the mid-1980s, however, it was increasingly a user of the fraternity's scarce cash resources rather than being a source of additional cash income for chapter maintenance, scholarship grants, other educational grants, or an endowment that could generate income to help defray operating costs and to cover expenses for capital fund-raising. If we were to continue to use the property as in the past, the income that would be foregone in future years would amount to an enormous opportunity cost to the fraternity as a whole. In any objective review of the entire organization's priorities, it became clear that the status of 16 East 64th Street had to change.

Planning for these changes involved repeated deliberations of financial, accounting, legal, real estate, and tax professionals—both paid and volunteer—to analyze the facts, laws, and market realities that pertain to this surprisingly complex situation. At the same time, all the senior national fraternity leaders involved were mindful of the intangible importance of a New York headquarters and club to all members of the Order and that those intangible values surrounding a headquarters and social club be preserved in any plan for the future.

Although the planning process continues as this is written in mid-October, here is a brief summary of the events to date. Although 16 East 64th Street Corporation continues to own and operate the property, the St. Anthony Club of New York ceased its tenancy as of August 31, 1988, and is developing a plan to resume operations in other quarters in Manhattan as soon as practical. Other outside groups that were using the 64th Street facility have also moved out. The fraternity (and foundation) headquarters will relocate within Manhattan, preferably to the club's new site, in early 1989.

At this time, 16 East 64th Street Corporation is arranging a short-term secured bank borrowing for the period estimated to be required for it to find its long-term solution for the use of the property. It is considering entering into a long-term lease to a single tenant or arranging a suitable exchange of the property for a commercial property. One near-term activity related to this study involves locating all individual shareholders and their certificates.

The purpose of all this is to convert this most valuable and underutilized asset into a long-term source of benefits to all elements of the Fraternity of Delta Psi and to protect the fraternity's income and assets from taxation to the extent permitted by law. Meanwhile, the St. Anthony Club of New York and the national headquarters will relocate to new, suitable space elsewhere in midtown Manhattan.

The fraternity will provide you with further bulletins on the progress of these complex and challenging matters in future newsletters. Comments or questions should be addressed to Andrew McA. Hunter, H.D., c/o Fraternity of Delta Psi, 16 East 64th St., New York, NY 10021.

Whatever Happened To 16 East 64th Street?

By George T. Smith, Δ'57, H.D. 1974, and
Richard C. Hollyday Jr., A'53

It has been 10 years since the St. Anthony Club, located at 16 East 64th Street in New York City, closed its doors. We are sure that many members of the fraternity remember time spent in the dormitory on the sixth floor, or meals in the dining room surrounded by St. Anthony memorabilia, or perhaps a late evening in the unique bar room having a drink with brothers, watched over by Walter, John, or Charles, who always made sure we made it safely to bed. A number of people have requested an explanation of the finances resulting from the demise of the club and the sale of the real estate.

The 16 East 64th Street Corporation was formed in 1952 by brothers of the fraternity to provide a national headquarters for the fraternity and a New York City meeting place for members. This effort was headed by Bro. Max Swenson; among many others who gave substantial assistance were Bros. Bob DeVecchi, Bob O'Connor, Donald Lamb, and Julien Davies. Brothers of the fraternity subscribed to the stock, and the premises were leased to the St. Anthony Club on the basis that it would pay all operating expenses and carrying charges.

For 36 years the facilities served those purposes well. The St. Anthony Club was the major tenant during the life of the 16 East 64th Street Corporation, but it struggled during its later years from declining membership and use. Many valiant efforts were made in later years to find a way to return the club to economic stability, but each new effort was met with increasing costs and decreasing revenues.

The directors of 16 East were Bros. Bob Gibson, Ian Brownlie, Dick Cannaday, and Dick Hollyday. Elected officers were Hollyday, president; Brownlie, treasurer; and Gibson, secretary. Jack Danforth, Ron Dronzek, John Youngken, Larry Johnson, and Andy Hunter were very helpful ad hoc advisers. The board applied for a loan from the foundation of \$20,000, making the total due that organization \$45,000. John Simons, the club's president, sought unsuccessfully to negotiate an arrangement with the UVa club to enable 16 East to cure defaults and continue operations. The New York club began a review with Latham & Watkins of legal problems relating to the default of the club, options as to sale or lease of the property, and ways for 16 East and its stockholders to minimize taxes on disposition of the property and distribution of the proceeds. A decision was made to use William A. White & Company to develop a marketing plan; 16 East recognized that the club's insurance coverage of the building was inadequate.

In early 1988, the club found itself in default under its lease, with real estate taxes due the city, mortgage interest due Delta

Psi, Inc., and dangerous structural problems in the stairway. In short, the building was falling apart, and the revenues necessary to restore and maintain it were not available. The club had no choice but to suspend operations and turn the building back to the 16 East 64th Street Corporation.

During the summer and fall of 1988, 16 East cured defaults in tax payments and other city violations. It succeeded in obtaining adequate insurance after being denied coverage on several occasions. It engaged engineers to review the structural problems in the stairway. Negotiations for a mortgage loan with Manhattan Savings Bank fell through when the bank requested Delta Psi, Inc., to guarantee the loan. All tenancies in the 16 East building were terminated except the fraternity office.

In January 1989, the corporation was finally able to negotiate an 18-month mortgage from Allied Irish Bank for \$450,000. It repaid loans totaling \$150,000 to Delta Psi, Inc., and the St. Anthony Educational Foundation, and it used the balance to make the necessary structural repairs, develop a marketing plan for the property, and continue the necessary building maintenance. In the spring and summer of 1989, after interviewing and receiving bids from other brokers, Mark Young became a director of the corporation, and 16 East engaged William A. White & Company as broker to market the property. Appraisals of the property and the stock of 16 East were obtained. The broker studied alternate plans for outright sale, lease of the property, or exchange for another property. Permits from the city (including consent of the Landmarks Commission) to permit structural repairs were received after a long delay, and a contractor was selected for the work after competitive bidding.

The foundation and Delta Psi, Inc., principal stockholders of 16 East, formed an ad hoc committee to study tax considerations on sale or disposition of the property, acquisition of stock from other stockholders, and transactions among themselves. The principal members of the ad hoc committee were E. Bros. Jack Danforth, George Smith, Hap Johnson, Andy Hunter, Larry Johnson, Gano Haley, and Brooke Gardiner, as well as H. Bros. Ken Dougherty, Ron Dronzek, Dick Hollyday, and Bob Gibson. On the recommendation of the ad hoc committee, the foundation and Delta Psi, Inc., engaged a Philadelphia law firm, Drinker, Biddle and Reath, to advise them. Eric Solomon of that firm recommended that stockholders be

solicited to contribute their stock to the foundation; that marketing of the building proceed; and that, after sale, 16 East should merge with a Delaware corporation to be formed. The foundation began a campaign to solicit stock.

The foundation then undertook a formal effort to seek out all shareholders of 16 East 64th Street Corporation and encourage the gifting of those shares to the St. Anthony Educational Foundation. Gano Haley and Larry Johnson put in intensive work on this, with considerable success. The foundation thus increased its ownership of stock in 16 East 64th Street from 998 shares to 2060 shares by October 1990, including 700 shares donated by Delta Psi, Inc.

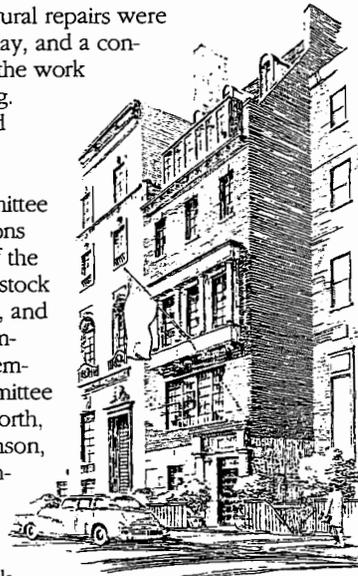
In the fall of 1989, the repair work in the building was finally completed, and the building was ready for showing. William A. White put the property on multiple listing at an asking price of \$4,500,000, and prospective buyers were shown through. Bob Gibson was in charge of disposing of personal property and furnishings in the building. Several pieces of furniture and art works were sold to William Doyle Galleries for approximately \$25,000. Art works and memorabilia related to St. Anthony were kept and given to the fraternity and several of its chapters. Some of the memorabilia is stored in the archive room at the Racquet Club in Philadelphia.

In the winter of 1990, the property sold for \$3,250,000. The net proceeds of the sale were \$2,122,861, after repaying the mortgage, transfer taxes, commissions, and other expenses of the sale. To complicate

matters, a retired judge (who was a friend of the buyer) filed a suit against 16 East for \$1 million, alleging he was injured when he tripped on the sidewalk outside the building the day before the sale. This was ultimately settled three years later for \$77,000, with the corporation's insurance paying the bulk of that sum and the city the rest. In addition, an unfavorable change in the tax laws enacted in 1986 caused the corporation to pay \$999,669 in income taxes to the Internal Revenue Service, as well as to New York state and city. A further \$10,000 was paid by Delta Psi, Inc., in 1998 to resolve an open issue with the City of New York.

At the time of the sale, all stockholders of 16 East 64th Street Corporation were granted the right to receive \$359.49 per share for their stock. This left the St. Anthony Educational Foundation and the Fraternity of Delta Psi, Inc., as the

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remaining shareholders. A new corporation was formed called Anthony Assets to invest the cash. On January 15, 1991, 16 East 64th Street was merged into Anthony Assets, and on June 1, 1991, Anthony Assets redeemed all of the outstanding stock held by the foundation for \$786,000. This left Delta Psi, Inc., as the only stockholder of Anthony Assets, whose remaining investments totaled \$400,000. On June 30, 1994, Anthony Assets merged into Delta Psi, Inc., and was formally dissolved. In recent years, the funds have grown and continue to provide support to the fraternity and its members.

So—whatever happened to 16 East 64th Street? The answer is that, after 36 years of providing a comfortable home for numerous loyal Delta Psis, 16 East 64th Street, having paid off all known shareholders, transferred \$788,000 to the St. Anthony Educational Foundation and \$400,000 to the Fraternity of Delta Psi, Inc.; the building itself is now a private residence. But most of us who knew it in its prime still look for the brass $\Delta\Psi$ over the door whenever we pass by.
