

THE REAL DEAL

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Iron chefs forge favorable terms

Builders offer concessions to attract boldface names

By Catherine Curan

When Douglas Durst decided he wanted a signature restaurant for the Bank of America tower at One Bryant Park, he homed in on a short list of six renowned Manhattan chefs.

Among these was Charlie Palmer, who founded his restaurant empire in New York City with Aureole in 1988 and now has several eateries in the city, as well as outposts in Las Vegas, Washington, D.C., and California. Palmer said initially, he felt no urgency to move from Aureole's brownstone at 34 East 61st Street, and had turned down other offers to do so.

But after talking with Durst over dinner at the restaurant last summer, Palmer decided to hammer out a deal. His stature as a chef with a boldface name and a dedicated following allowed him to negotiate favorable terms, including reduced rent and a reconfigured space.

It's an example of the power of the celebrity chef. Thanks to the public's ever-increasing fascination with food, fed by a growing number of television food shows and restaurant blogs, these notable cooks are a major draw. And so more chefs are taking a break from the kitchen (or television studio or product endorsement meeting) to sit at a bargaining table to strike advantageous deals with landlords and developers.

For instance, renowned chefs Gary Volkov (who served as executive chef of One if By Land, Two if By Sea) and Lespinasse veteran Gray Kunz have recently capitalized on their clout in deals for new spaces.

On the landlord side, brokers are willing to work with well-known chefs because their fame increases chances for success in Manhattan's notoriously difficult restaurant market -- and a high-profile retail tenant can increase the value of a building. To clinch the deal with Palmer, the Durst Organization agreed to a lower rent than the \$450-per-square-foot retail space on 42nd Street can command.

"No doubt we could have found other restaurants to pay more," said Thomas Bow, senior vice president at the Durst Organization, of the Aureole deal. "At the end of day, we found a restaurateur we thought brought something to the building and the neighborhood, and that all factored into our decision."

Of course, a well-known chef does not guarantee success. Despite his fame and positive reviews for restaurants like the former Union Pacific, chef Rocco DiSpirito has struggled to find a successful niche in Manhattan's restaurant scene in recent years.

What's more, pressure is mounting on all retailers in the face of economic uncertainty and even talk of a possible recession.

"Über-celebrity chefs scare me," said Jeffrey Roseman, executive vice president at Newmark Knight Frank. "Even though their name is on the door, they might be too busy selling their cookbooks, or glassware, or shirts with their names on them."

Palmer knows that relocating from Aureole's genteel Upper East Side home to the commercial heart of Midtown represents a major risk. Yet he was able to structure a deal that he hopes will allow Aureole to generate \$8 million to \$10 million in annual revenue after it opens in the new space in 2009.

Both parties declined to disclose details of the transaction, but Palmer said they forged a partnership of sorts. Bow said Durst was willing to negotiate on rent, term, build-out costs and percentage of sales above a certain gross.

The biggest difficulty Palmer encountered was that construction had already begun, and he did not care for the original layout of the space. Durst adapted to suit Palmer's requirements, relocating another tenant on the lower level and providing more frontage. Palmer ended up with a 20-year lease for about 8,800 square feet, including roughly 4,545 square feet on the ground level. He secured frontage both on 42nd Street and in a 35-foot passageway between the Bank of America tower and the Condé Nast building.



After turning down other offers, chef Charlie Palmer agreed to move Aureole from 61st Street, above, to the new Bank of America tower.

"As soon as I said, 'This is what I need,' the attitude was, 'Let's figure out how we can get that done,'" said Palmer.

For Gary Volkov, solid experience at the restaurant where many a Manhattan couple has gotten engaged helped him win the space he wanted for his own eatery. Volkov just opened Prince Street Café at 26 Prince Street, and his good reputation allowed him to reduce his security deposit to four months instead of six and still beat out other tenants interested in the lease.

"Had I been someone coming off the street with no record of any kind, I guess it would be fair to pay six months, but I already have a track record as a chef in New York," said Volkov.

Because he was an attractive tenant, the landlord also provided Volkov with a rent-free month to renovate. That is standard with new leases, but not when a tenant takes over an existing lease, as Volkov did at 26 Prince.

"We knew Gary was a great chef, and his food would win over the neighborhood," said Brett Nidel, a broker with Veracity Real Estate Management.

Likewise, Gray Kunz's name allowed him to sweeten the terms for his deal for Grayz, his venture in Midtown that will open soon at 13-15 West 54th Street. A legend among New York foodies, Kunz returned to Manhattan's restaurant scene after a five-year hiatus in 2004 with Café Gray in the Time Warner Center. For Grayz's location, the landlord wanted \$450,000 in annual rent but reduced it to \$360,000, with about a year's free rent, to secure Kunz as a tenant.

"Clearly a better deal was created for his expertise," said Roseman.