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Renovation in Store on Fire Island Pines

By **FRED A. BERNSTEIN**

Among gay men, Fire Island Pines is a legendary place of romance, rowdiness and high real estate prices.

More than half the residents make more than \$300,000 a year, according to the local property owners' association. Houses often rent for \$10,000 or more a week in summer.

Now a group of investors is preparing to spend about \$20 million for a restaurant, a disco and other commercial properties overlooking the town's ferry dock. The buildings, which constitute about three-quarters of the commercial properties in the Pines, sold for less than half that amount in 2004.

The buyers say they see the properties as drastically underperforming assets, with revenue they expect to be able to increase at least sixfold. The properties, they say, grossed \$3 million and netted \$1.5 million in 2009, according to a prospectus sent to potential investors in January.

The buyers are Andrew Kirtzman, 48, a journalist turned hotelier; Matt Blesso, 36, a real estate investor who in 2007 was named one of the top 100 bachelors in New York by Gotham magazine; and Seth Weissman, 26, an investment banker. They planned to put up \$2 million themselves, borrow \$10 million, and seek about \$9 million from equity investors, the prospectus said. The sale is expected to close this week.

Mr. Blesso, Mr. Kirtzman and Mr. Weissman would not comment on the terms of the deal, citing a confidentiality agreement.

In the prospectus, they described the properties as "ripe for repositioning," a task they said would involve extensive changes, including upgrading the menu at the restaurant, the Blue Whale, and revamping the hotel, called Le Ciel (though usually known by its former name, the Botel), to eliminate shared bathrooms and exposed cinderblock walls.

Residents of the Pines “demand a high level of services and amenities, and we will give it to them,” Mr. Weissman said in a press release announcing the purchase. The investors, who call themselves FIP Ventures L.L.C., said that the properties were especially undervalued given their location in a “community where driving to adjacent towns for spending is not an option.” (The Pines is reached by ferry from Sayville, [Long Island](#).)

Eric von Kuersteiner, who owns the properties with his partner, Anthony Roncalli, said the new owners could add value in at least two areas: the hotel, which is ripe for renovation, and a tract consisting of a liquor store, a bar, a construction office and a gym. He said a group of Yale architecture students working in the Pines last summer had developed a plan to make that area more inviting and energy-efficient.

Last winter, news of the proposed deal “spread like wildfire” among property owners in Fire Island Pines, said Rodman Paul, an architect who has owned a house in town for more than 20 years.

Not surprisingly, denizens of the Pines analyzed every aspect of the prospectus, which was widely circulated by e-mail. Mr. Paul said that there was some fear among longtime residents that to make back their investment the new owners will increase commercialization in the Pines.

One of the three investors, Mr. Kirtzman, is a former reporter for New York 1 News and WCBS and the author of “Betrayal,” a book about [Bernard L. Madoff](#). (He got his start in journalism running a weekly Fire Island newspaper as a teenager.) These days, when he is not writing, he runs a guest house known as the Madison — Fire Island Pines. The Madison commands as much as \$900 a night on summer weekends, according to its Web site. Mr. Kirtzman will turn to managing the much larger Le Ciel as soon as the deal closes.

To upgrade the Blue Whale, the investors plan to bring in the group that runs the Almond Restaurant in Bridgehampton, which serves appetizers like foie gras mousse with kumquat basil marmalade. By contrast, the Blue Whale tends toward burgers and Buffalo wings.

As a result, the buyers said in their prospectus, the Blue Whale sold only \$1,400 worth of food per seat last summer. By contrast, revenue at the Almond was \$7,100 per seat, they said.

In addition to the disco, the hotel and the restaurant, the properties include a green market space, a gym, a clothing store and several residential buildings used to house employees.

The deal to buy the properties, the buyers said in their prospectus, “came about after months of quiet efforts to convince the owners of the properties,” which were not on the market, to sell. In addition to the purchase price, closing costs and other expenses bring the price to nearly \$21 million.

In the prospectus they had harsh words for the current owners of the properties. For example, the investors said, they allowed the hotel to become “dilapidated” and the restaurant to be run “on an ad hoc basis by its waiters.”

Mr. von Kuersteiner said that he disputed some of the assertions made in the prospectus.

Ron Martin, the president of the Fire Island Pines Property Owners’ Association, said Mr. von Kuersteiner and Mr. Roncalli had made a number of contributions to the community, like providing a van service for older or disabled residents.

The properties they are selling were created in the 1960s by John Whyte, who was both a real estate investor and a social arbiter. In the 1980s, he bought the Pavilion, the closest thing outside New York to Studio 54, and a place that is packed until dawn on summer weekends.

Just before he died in 2004, he sold the properties to Mr. von Kuersteiner, a [Manhattan](#) financier, and Mr. Roncalli, a tax lawyer in Manhattan. A magazine described that as “the gay equivalent of the Louisiana Purchase or Seward buying Alaska from Imperial Russia.”

At the time, Mr. Kuersteiner said, “The Pines had become sort of rundown. The next generation of gay guys weren’t coming. They used to call it Jurassic Park.” The couple spent more than \$5 million to upgrade the buildings and aggressively market the Pines to a younger crowd. They attracted some criticism for catering to newcomers rather than longtime residents.

Mr. von Kuersteiner said he and his partner still owned several properties in the Pines, including their home and a freight company, and “aren’t going anywhere.”

Mr. Paul, the homeowner, said of Mr. von Kuersteiner and Mr. Roncalli, “There are those who didn’t love them, but they didn’t do such a bad job, all in all.” As evidence he cited the huge increase in the value of the properties since 2004. “So clearly they did something right.”

This article has been revised to reflect the following correction:

Correction: March 30, 2010

An article last Wednesday about the sale of commercial properties on Fire Island misstated the role that John Whyte, a previous owner of the properties, played in the Pavilion, a discotheque that was included in the recent sale. Mr. Whyte bought the Pavilion in the late 1980s; he did not build it in 1981.