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Meadowlands project facing foreclosure

Bank wants EnCap land sold to pay off loans

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The long-troubled project to build golf links and thousands of homes on Meadowlands landfills is now facing foreclosure.

Wachovia, which leads a group of banks backing the EnCap project, is demanding the 785-acre property be sold to pay off \$149 million in loans and unpaid interest, according to court documents filed late last month.

Michael Cohen, special counsel at the Trump Organization, which took over operations at the site in November, said he was "very disappointed" Wachovia has taken up a court fight against EnCap, "after all the substantial work that we have performed."

Trump is being paid \$15 million over three years to lend his name and expertise to the \$1 billion project.

The cleanup will continue in spite of the filing, which EnCap received on Thursday, Cohen said.

The potential legal battle could delay progress, but EnCap's agreement with the New Jersey Meadowlands Commission guarantees the landfills will be cleaned up even if the land is foreclosed on or sold, according to Chris Gale, a spokesman for the commission.

"We expect some minimal time--certainly a few months--will be required to sort out the situation, but our efforts will be directed toward continued progress," Gale said in a statement.

Wachovia declared EnCap in default in September. A Wachovia spokeswoman, Fran Durst, declined to comment yesterday. The bank's attorneys in the foreclosure action, Craig Murphy and John Holden, did not return calls.

This would not be an opportune time to force a sale, since the real estate and credit markets are weak, according to a foreclosure expert who is not involved in the EnCap project.

The foreclosure action "may be part of the negotiating process," said Todd Soloway, head of real estate litigation at the New York-based law firm Pryor Cashman.

"Banks aren't typically in the business of killing their own investment," Soloway said.

On the other hand, the bank might already have a potential buyer, he added.

"Maybe they think there's a higher and better use and they could get a better return on their investment," he said.

EnCap is scrambling to meet a Jan. 11 state deadline to fix the project's many environmental and financial woes.

Cohen said "substantial" progress has already been made on the environmental problems.

Trump's workers are installing pipes to collect methane gas, they have pumped out 150,000 gallons of other pollutants, and they have installed fencing, Cohen said.

Barriers to prevent more contamination from leaking out will be installed as soon as the weather warms up enough, Cohen said.

Trump expects the golf course to open in two years, and the entire project to be complete three years after that, Cohen said.

Elaine Makatura, a spokeswoman for the state Department of Environmental Protection, confirmed workers are installing pollution controls and pumping out toxic materials.

The agency will wait until after Jan. 11 to make a final decision about whether EnCap is meeting its cleanup obligations, Makatura said.

EnCap faces at least \$30 million in construction liens, according to the foreclosure complaint.

The state and Bergen County have loaned EnCap more than \$300 million to fund the \$1 billion effort to clean up four landfills and build nearly 2,600 homes, as well as public golf links, retail, hotel and office space. If EnCap fails, the state stands to lose \$50 million of its investment.

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