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Trump hits the brakes

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After 13 years of battling to build luxury mansions in Bedford, Westchester, real estate mogul Donald Trump finally secured the green light to start construction on the project. But that was before the credit market froze.

Now, Trump has put the brakes on that project (as first reported on *The Real Deal* Web site) and is holding off on starting others there. While he is proceeding with projects that are already under way, he only has one project in New York City, the Trump Soho, a hotel-condo on Spring and Varick streets in Hudson Square.

Trump has other projects in Connecticut and abroad that he is looking to complete.

"Who wants to build in a down market? I'm in no rush for many different reasons, and one of them is the market," he said.

Trump's battle in Bedford goes back to 1995, when he purchased a 213-acre property known as Seven Springs for \$7.5 million, with the express purpose of building one of his signature high-end golf courses.

The hilly property actually reaches into three towns: Bedford, New Castle and North Castle. At first, the project garnered intense opposition from locals who feared that the chemicals required to maintain the golf course would run off downstream, polluting Byram Lake, the only source of drinking water for nearby Mount Kisco.

After an eight-year battle, Trump switched gears. Instead of the golf course, he offered to build 17 luxury mansions with price tags of \$10 to \$30 million. After a series of lawsuits (some still pending), the plan was whittled down to seven mansions in Bedford.

When completed, the Bedford homes would be expected to generate about \$3 million a year in tax revenue.

At a Sept. 23 meeting with the Bedford Planning Board, the Trump Organization said it was ready to break ground before winter, promising up to 500 construction jobs.

But now, Trump has decided to halt the project altogether. "We'll wait until the market is stronger," he said.

Wayne Hecklen, a partner at the law firm of Pryor Cashman and co-chair of the firm's real estate department, said that Trump, like every other developer today, is being cautious about starting new projects. Hecklen, who worked at the firm of Dreyer & Traub in the 1990s, represented Trump at that

time, when he was being burned financially.

"He didn't do so well for a while," recalled Heicklen.

Heicklen said that Trump's problems today are similar to the ones he had in the 1990s, which were tied to problems with the credit market.

"He struggled then because the markets had fallen," Heicklen said. "He topped out, and there was no turning back."

The only way for Trump to pay back his lenders, said Heicklen, was to go forward, finishing his buildings and hoping that the sales would cover the debt.

With the credit crises, Trump is in a similar position today with Trump Soho in Manhattan and Trump Parc in Stamford, Conn. Outside the New York area, he's also in a similar situation with a 92-story project in Chicago he is developing, slated to be the tallest building constructed in the U.S. since the Sears Tower.

"Stopping construction now isn't viable, and he has no choice but to go forward," said Heicklen. "But he's a survivor — he lands on his feet."

Scaling back is not new to Trump.

In 2000, Trump scaled back his Trump National Golf Club in Briarcliff Manor to include 17 townhouses — though not a proposed 80-unit apartment building. "That's probably my most successful golf club," he told *The Real Deal*. "I sold 17 townhouses at \$2.5 to \$3 million each.

"I had the right to build an 80-unit apartment house, but I chose not to do that."

In New York City, construction continues on Trump Soho. "We are going forward with it," said Trump. "Sixty percent of the building is sold out. It has good zoning. The units are selling like hotcakes. We should be open in six months."

Pre-construction sales, which opened last September, listed apartments for \$3,000 a square foot. And Trump just got the nod from the city to add an extra floor to the building, making it 43 stories.

Still, the project has had its own well-publicized problems. In January, a worker at the Trump Soho site fell to his death from high-rise scaffolding that collapsed under too much weight. Three additional workers were injured.

Contractor Bovis Lend Lease had already received several violations from the Department of Buildings, including one for an out-of-control crane that smashed the window of an adjacent building in October and for storing materials too close to the edge of the 39th floor.

In 2006, construction work was put on hold after workers discovered human remains, later determined to be from a church burial vault.

Community opposition has also dogged the project.

Andrew Berman, executive director of the Greenwich Village Society for Historical Preservation, said Trump violated zoning laws to build Trump Soho by building in an area zoned for manufacturing and

transient hotels, not a hotel-condo.

"It's the first-ever hotel-condo in New York City that's in a manufacturing zone," said Berman, who accused the developer of being duplicitous.

"Trump has used the Trojan horse method of getting approvals and has gotten around the law," Berman said. "It's been handled deceitfully."

According to Berman, the building was constructed over a 19th-century graveyard for an interracial abolitionist church. "If Trump had been forced to seek a zoning change, he would have had to do an archaeological survey, which probably would have uncovered the graveyard without the bulldozers, finding several dozen bodies first."

Berman criticized Trump for having a general disregard for zoning laws and regulations. "It's one thing to have a brash personal style, but it's another to play fast and loose with the law and with peoples' lives," he said.

Trump completed two Westchester projects last year. Trump Plaza in New Rochelle is a 40-story tower with 194 luxury condos overlooking the Long Island Sound; the building is now 65 percent occupied. At Trump Park in Yorktown, a 141-unit luxury condominium building, occupancy is now at 55 percent.

Trump said the timing was good. "We were all finished prior to the market downturn, so I got lucky," he said. "I completed many of my projects at the height of the market."

Still under construction, however, is Trump Parc in neighboring Stamford, Conn. The 170-unit luxury condo is 36 stories, which will ultimately make it the tallest building in Stamford. According to Trump's Westchester public relations firm Thompson & Bender, occupancy is planned for spring 2009.

Overseas, proposed projects for Trump include buildings in Egypt, India, South Korea, Turkey and the United Arab Emirates. A \$2 billion waterfront golf resort is also in the works on 1,400 acres on the northeast coast of Scotland — it will have 1,000 condos, 500 luxury villas, a hotel and two golf courses.

"Trump recognizes it has become a global economy," said Heicklen.

However, the global economy is faltering in reaction to the American market crises, and Trump may have to put his projects on hold.

"Although Dubai is strong today, the Far East and Europe are all starting to feel the sting of the sluggish economy. If that happens, he'll have issues like any other developer," Heicklen said.

Meanwhile, Trump has every intention of breaking ground at his Seven Springs property as soon as financially feasible. "This property is a jewel, and it's going to be a magnificent high-end job. I'll start it when the market comes back," he said.

Trump's updated plans for Seven Springs call for an equestrian center with 20 stables and a building to house paid staff.

The Seven Springs property once belonged to Eugene I. Meyer Jr., owner of the Washington Post, and is where Meyer raised his daughter, the late Katharine Graham, the paper's longtime publisher. At one time, Trump considered moving his family to Meyer's 39,000-square-foot mansion, but now he's not sure. "I may or may not move in — I just don't know if I'll do that," he said.

Meanwhile, Trump is still fighting several other battles related to Seven Springs' land rights and road access, and hopes the financial crises will weaken the towns' resolve and give him greater bargaining power.

"I like getting zoning in a bad market," he said. "I like starting jobs when the market is good or starts getting good. When the market comes back, whenever that might be, I'll start the job at Seven Springs. I consider this a very small job."

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