

Hentze-Dor Real Estate, Inc.

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Stalled Construction Projects Litter the City

List shrinking slowly as developers struggle to restart work. Stalled construction projects litter the city List shrinking slowly as developers struggle to restart work. By Amanda Fung July 31, 2011 5:59 a.m. A vacant lot on S. Eighth St. , totaling 95,275 square feet. Also See * Germans pay \$96.5M for 4 Columbus Circle * Concrete talks resume as strike enters Day 2 * Dow closes below 11,900 as economic fears grow * Dismal NY construction starts come with caveat * New York pension fund bets on real estate rebound * Concrete workers walk off World Trade Center job Attached Files This week in Crain's: July 31, 2011 Download In the spring of 2008, Time Equities began demolishing the three buildings at 50 West St. to make way for a \$600 million, 62-story hotel and residential development. Several months later, Lehman Brothers and the financial markets crashed and the project was put on hold. Market conditions were too unstable to proceed at the time, said Francis Greenburger, chief executive of Time Equities. We just secured the site and decided to wait until conditions improved. In 2009, when the city's Department of Buildings began compiling a list of stalled construction sites, that 13-acre lot was on it. It is still on the list, one of about 650, many of them in hot neighborhoods like lower Manhattan and Williamsburg, Brooklyn. Restarting work requires banks to find new developers, owners to restructure debt, new investors to inject cash into projects or some combination of those. Experts say the process will probably take longer than it did after the last big real estate downturn in the early 1990s. It's hard to be optimistic when the list of stalled sites is still so stubbornly high, said Richard Anderson, president of the New York Building Congress, which recently reported that industry employment was at a nearly 13-year low in the first quarter. Difficult financing SOME HIGHLY CREATIVE PROPOSALS FOR CITY'S DORMANT SITES Vishaan Chakrabarti Director, real estate development program, Columbia University Create a virtual Museum of the Streets of New York in empty lots across the city with an art installation series that tells a story and is managed by one entity that would program and curate all the spaces. Anne Pasternak President and artistic director, Creative Time Local musicians could compose pieces that reflect the neighborhood or the history of the site, so that when people get close they can be surprised and uplifted through the audio. Vin Cipolla President, The Municipal Art Society of New York There could be stages featuring live dance performances. The possibilities are endless. There is so much pent-up desire on the part of the creative community to express itself. James Crispino President, Francis Cauffman Architects On the lot at East 33rd and Madison, build a distinctly New York version of the London Eye: a 60-story Ferris wheel that has enclosed glass pods seating eight to 10 [for lunch or cocktails] and that does a full rotation every 60 minutes. Brad Lander City Councilman, Brooklyn A project at 23 Caton Place in Kensington that stopped at seven stories should be turned into a haunted house that would illustrate the horrors of the economic crash. Stephen Yablon Principal, Stephen Yablon Architect These spots could be campsites for tourists who don't have a lot of money for a hotel. It would be cool to look up at the stars from a hole. If there's a building frame, put up some protective railings. Banks' unwillingness to make construction loans is a key piece of the picture. Borrowers without extensive track records and their own cash to put into a project are out of luck, experts said. But even established players like Time Equities acknowledge that it's tough to get funding. Financing markets are getting a little better, but the larger the project, the more difficult it is, Mr. Greenburger said. In other cases, lenders or special servicers brought in to

47-14 32nd Place, Long Island City, NY, 11101 | Telephone: 718-786-5151 | Fax: 718-786-6914

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represent creditors after a loan default are delaying workouts in the hope that the market will improve. Special servicers are selling some notes, but not as aggressively as anyone anticipated, said Robert Knakal, chairman of Massey Knakal Realty Services. Some projects have found new owners or have received equity injections but are still not progressing, as owners struggle to adjust to new realities that can range from zoning changes to shifts in buyer preference. David West, partner at Goldstein Hill & West Architects, regularly gets calls from developers interested in restarting work. His response is that they must be prepared to start from scratch, Mr. West said. Since peaking at 710 in November, the number of stalled sites has been declining steadily, a trend that is expected to continue. There was a period when no one was doing anything, and things were bleak, said Robert LiMandri, commissioner of the Department of Buildings. About 550 sites have restarted in the two years the list has existed, he said, adding that there are projects that are shaking out. Several of the revivals are in Williamsburg. Condo projects such as 111 Kent Ave. and 175 Kent Ave. have been revived, albeit as luxury rentals. Mr. LiMandri notes that it is actually a positive sign that only 20 developers have entered a 2-year-old program that lets them renew expired building permits at stalled projects for up to four years if they agree to follow strict safety guidelines. The commissioner had expected more demand for the program, designed to help developers start building again. Meanwhile, two sites in Brooklyn and Long Island City, Queens are back online because of the Housing Asset Renewal Program, also 2 years old, that uses public funds to turn stalled projects into affordable housing. There are also signs of hope at a few prominent stalled sites. One of the city's largest landlords, Boston Properties, recently announced that after signing an anchor tenant, it could resume work on an 844,000-square-foot tower on West 50th Street. Similarly, real estate sources say activity may begin on the long-dormant Drake Hotel site, at Park Avenue and East 56th Street, by year's end. But the length of the list and the slow rate at which it is getting shorter indicate that many lots will remain vacant for a while. Last month's rise in the unemployment rate to 8.7% and recent reports of more Wall Street layoffs contribute to that outlook. We won't see projects come out of the ground this year if the economy continues to slow, said Daniel Alpert founding managing partner of Westwood Capital, an investment bank and advisory firm. That realization is leading some to come up with uses for empty lots. Ahead of its time One solutionwrapping a site with art has been popular for some time. The Downtown Alliance created a public art program dubbed Re:Construction in 2006 to make active sites less obtrusive. Five of its 13 installations in the area now surround inactive sitesincluding Time Equities' 50 West St. Other ideas range from classics like parking lots and community gardens to the slightly odd. Jeffrey Holmes, a principal at architecture firm Woods Bagot New York, has conducted feasibility studies for building temporary icebergs at two stalled sites. The structures, consisting of white plastic tents over thin steel beams, could be rented as pop-up stores. Everyone is excited about the concept, said Mr. Holmes. The real challenge is how to create something that will draw people but not interfere with future development.