

# New Diamond Tower for New York

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Three years ago, Extell Development Co. announced their intention to build a world-class diamond building in New York's diamond district. Dubbed the "**International Gem Tower**," it was intended to compete not only with existing office buildings in the 47th Street and 5th Avenue area, but also with the likes of the World Jewelry Center in Las Vegas (which has had difficulty getting beyond the planning stages).

The company's founder and president Gary Barnett had proclaimed that "New York City's Diamond District will have an international gem and jewelry center on par with other global markets." However, Extell's plans for the New York tower were afflicted with numerous delays including city planning issues, permits, and the objections of the new tower's neighbors on 47th Street.

After amending the plans to 34 floors (originally, the reports were for a higher tower, but the excessive height was one of the problems raised by neighboring businesses and by city officials), the planners finally held the ribbon-cutting ceremony on Tuesday to officially launch the project. The ceremony was attended by Mayor Bloomberg, other officials, and as many as 100 onlookers.

Still a foundation / empty-hole on 47th Street, between 5th and 6th Avenues, the site had been cordoned-off for the past year, and pedestrian traffic was diverted to the street itself. Today, the construction barriers have two windows for the benefit of passers-by (who are also finally able to walk safely on the sidewalk rather than dangerously in the street) to view the building's progress.

The proposed project calls for 750,000 square-feet of commercial space, potentially housing as many as 250 tenants. The first phase, to construct the three-stories of underground parking and secure vaults (costing some \$300 million) is slated for the end of 2009, and the rest of the project completion is due sometime in 2011. The total cost of \$750 million has proven a difficult amount to raise, and as of now the developers have not yet secured financing to advance the project beyond the "first phase."

Sources say that commercial agents had approached diamond companies and jewelry businesses in the area in 2006 and 2007 to try and sign-up new prospective tenants, with very limited success. This was despite the promises of competitive rent, infrastructure subsidies and additional benefits. Now the intention is for condominium offices, which will be sold to the tenants, rather than rented. The diamond/jewelry portion is reported to comprise some 88 commercial units - 84 of which will be for sale.

According to a recent report in the New York Times, the developer himself has put up much of the money personally (to fund the \$300 million “first phase”) and “by the end of the year, Extell hopes to sign deals with jewelers, merchants and banks for enough office condominiums to obtain a construction loan. If not, construction could stop.”

Mayor Bloomberg was confident that the necessary funding would eventually be raised - and even the City of New York threw in various concessions and tax benefits to help: According to agreements reached in 2006 with the New York City Industrial Development Agency for “performance-based financing assistance,” the developers will receive some \$50 million benefits in city and state taxes - providing that: 1) the building is filled at least 85% with jewel-related businesses and 2) half of these businesses are either new to New York or expanding in New York.

Conversely, some media reports have mentioned the possibility that only half of the building would be for diamonds and jewelry (with a special secure entrance on 47th Street) and the other half will be devoted to regular commercial offices (with its own entrance on 46th Street) - in which case, the City and State Government tax incentives would be cast into doubt.

Source: [www.israelidiamond.co.il](http://www.israelidiamond.co.il)