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## Work Resumes on International Gem Tower in Diamond District

By CHARLES V. BAGLI

The city approved the project in 2006.

Demolition of a half dozen buildings in the diamond district followed in 2007, and workers excavated the site last year and poured concrete for the foundation walls.

So the developer, Gary Barnett, couldn't very well use the word "groundbreaking" on Tuesday morning. But he did describe the "first phase" of building the 34-story International Gem Tower, on the south side of 47th Street between Fifth Avenue and Avenue of the Americas, before television cameras and a milling crowd of diamond dealers and tourists in what turned out to be a marketing opportunity for both him and Mayor Michael R. Bloomberg.

Mr. Barnett, the chief executive of the Extell Development Company, promoted his long-awaited \$750 million tower, albeit six stories shorter than he originally envisioned it, in the hope of

attracting his first tenants, while Mr. Bloomberg wrapped it into his oft-repeated election-year "five-borough economic opportunity plan."

"For the first time," Mr. Barnett, a former diamond dealer, told the crowd, "New York City's diamond district will have an international gem and jewelry center on par with other global markets."

It is a gambler's move, said Sushil Goyal, who owns Liberty Gems, four doors west of the construction site, at a time when many developers, like Boston Properties, are canceling planned office towers in light of corporate layoffs and rising vacancies. About 20,000 construction workers in New York City have lost their jobs since August.

Hoping to counter any notion that New York is grinding to a halt, Mayor Bloomberg applauded Mr. Barnett's decision to forge ahead, saying that the tower would provide more than thousands of construction and perma-

nent jobs and help New York City "compete with worldwide gem markets like Shanghai, Dubai and Las Vegas."

That may be, but even the planned 50-story World Jewelry Center in Las Vegas, which was announced about the same time

### A plan to get gem dealers to buy space in an office condo.

that Mr. Barnett unveiled plans for his diamond tower, has delayed its construction schedule, and scrapped plans for 100 residential condominiums.

Still, Mr. Barnett appears to be doing what few of his rivals are willing to do in the current downturn: put up a lot of his own money.

Mr. Barnett said that he and

his investors were contributing \$175 million, and got an extension of their original \$170 million loan for three years.

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.

Mr. Barnett, who said he had received strong interest from gem and diamond dealers from abroad, seems to be taking a modular approach to the project. Over the next six or seven months, he will construct the tower's three basement levels, which will contain high-security safes for jewelers. At the same time, he will try to sell or lease office space at the top of the tower to financial firms or corporations, which would have their own entrance on 46th Street.

As an inducement, the Bloomberg administration and the state have agreed to provide Extell with up to \$49.6 million in tax breaks if it fills 85 percent of the

tower with new or expanding jewelry businesses.

Originally, Mr. Barnett planned to lure two centerpieces of the industry: the Diamond Dealers Club and the Gemological Institute. But both to stay in their current offices nearby. So to fill his 750,000-square-foot tower, Mr. Barnett has turned to diamond and jewelry dealers who typically use a couple of thousand square feet each.

Mr. Goyal, at Liberty Gems, said he was very interested in a modern tower that would provide a roof for much of the industry.

His friend, Haridas Kotahwala, president of the Indian Diamond and Colored Stone Association, agreed. "I would prefer to buy 5,000 square feet," said Mr. Kotahwala, who runs Royal India USA on 46th Street. "He can sell the whole building if he comes in at a good price."

But Mr. Kotahwala's idea of a good price is \$600 to \$700 a square foot, about \$500 less than what Extell has in mind.