

# NEW YORK POST

24 HOURS A DAY

Wednesday, May 20, 2009  
Last Update: 09:45 AM EDT

## 47TH ST. DIAMOND IN THE ROUGH



Last updated: 3:56 am  
May 19, 2009  
Posted: 3:16 am  
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EXTELL's long-awaited Gem Tower on West 47th Street just took a seven-story haircut -- but what's now a 32-story project will get a big sendoff today at a photo-op with **Mayor Michael Bloomberg** and Extell chief **Gary Barnett**.

The ceremony in front of 50 W. 47th St., between Fifth and Sixth avenues, will officially "launch" the controversial, \$750 million project that's roiled the Diamond District and still faces hurdles. But it signifies confidence that the tower can rise once the site is built up to street level by year's end.

Extell spent three years assembling land and air rights for what was to be a 39-story tower on the jewelry block between Fifth and Sixth avenues and stretching all the way through to West 46th Street. It will house diamond-industry users on the 47th Street side and regular office tenants on the 46th Street side. A striking design by Skidmore, Owings & Merrill will use transparent glass and a pattern of staggered stainless steel to blur the distinctions between floors and to suggest the facets of a gem.

But last month, Extell quietly filed with the Buildings Dept. to chop the height to 32 stories and its overall floor area to about 750,000 feet from 850,000 square feet, with the reduction all coming out of the office portion.

**Raizy Haas**, Extell's senior development vice president, said the tower was shortened because a "holdout" she wouldn't identify balked at selling his air rights. "Given our long-term view of things, we decided we had to get going."

It was the latest twist in the saga that's transfixed Diamond District landlords and merchants ever since Extell announced the project -- which is meant to provide a modern home for the city's diamond industry -- three years ago.

Barnett methodically assembled the site and leveled old buildings, leaving a big hole in the middle of the block. Some diamond merchants were bitter over what they felt was an intrusion by a developer on small businesses passed down from generation to generation.

But at least as many welcomed a facility with state-of-the-art infrastructure and security.

Despite today's announcement, the project is not a done deal. Like other developers, Extell can't get a construction loan in a market where credit has disappeared.

But Barnett is confident he can get construction financing next year, after he's secured buyers' commitments for most of the diamond-user space in the tower, which is all being marketed as industrial condominiums.

Haas said, "Based on initial feedback from people in the industry, there's enough interest globally that we feel comfortable."

Acknowledging that failure to sell enough condos could doom Extell's chances for a construction loan, and thus put the tower on hold, she said, "We don't have a crystal ball, but we think it won't have to come to that."

As we first reported in February, Extell filed an offering plan with state Attorney General **Andrew Cuomo's** office last winter in which 84 of the tower's 88 condo units would be sold, with a total projected sellout of around \$355 million. Individual units range from under 1,000 square feet to just over 11,000 feet, priced from \$1.2 million-\$15.2 million.

Extell is keeping four units of 29,300 square feet each for itself. The tower's office portion, which will be leased, will total around 200,000 square feet, with a separate entrance on 46th Street.

The offering plan was approved last week, allowing Extell to start hunting for buyers -- not only those already in Manhattan, but around the world, Haas said.

Meanwhile, Extell plans to complete the near-finished foundation and bring the site up to street level by the end of the year -- a job that essentially requires creating three large, below-ground floors. Haas declined to discuss how that would be paid for, or by whom.

But real estate sources said it will cost Barnett and his partners \$35 million or more out of their own pockets, even without a guarantee that they'll pre-sell enough condos to count on getting a loan to build the actual tower.

"They're taking a big risk," a source familiar with the situation said.

Four years ago, the city's Industrial Development Agency approved up to nearly \$40 million in tax benefits for the project, but only if Extell meets specific criteria in how it fills the building. It can only reap the full benefit if 85 percent of the tower is taken by diamond-industry users and 50 percent by businesses new in town or expanding.

Workers on the block are relieved that today's event got the long-barricaded sidewalk open again. **Mansour Goldman**, of Homa Jewelry Design at 36 W. 47th St., said, "Business was bad and that just made it worse. People had to walk on the other side of the street."

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