

Developers Back Off on Grand Harlem Plans

Kimco Realty Is Latest to Weigh Pulling Plug on Mixed-Use Project; 'Whiff of Trouble ... and Head in the Other Direction'

By A.D. PRUITT

NEW YORK—A few years ago, real-estate developers had plans to bring trendy retail and office space to inner-city communities, which were attracting an expanding middle class. Now, some of those developers are having second thoughts.

The latest is Kimco Realty Corp., which is considering pulling out of a development in the heart of Harlem, the predominantly African-American and Hispanic community in upper Manhattan. Kimco and its joint-venture partner, Sigfeld Group LLC, had planned to turn the site into a mixed-use development.

In an interview, Kimco Chief Executive David Henry said the company is "exploring retail development alternatives with several potential retail tenants. Depending on their level of interest and rents, we will then be in a better position to determine whether to proceed with redeveloping the site." He said while Kimco isn't selling the development at this time, it "might in the future."

Kimco, a shopping center real-estate investment trust based in New Hyde Park, N.Y., and Sigfeld Group acquired the 110-year-old building on 125th Street and Frederick Douglass Boulevard for \$30 million in 2007, according to PropertyShark.com.

Kimco declined to elaborate on why it is exploring alternatives or to discuss its plans for the site, but according to brokers, there is no financing or demand for that kind of development unless solid retailers are on board. And without major retailers, securing financing for the project will be difficult.

"Evidently, they didn't have a sufficient number of these retailers to allow them to advance and move forward" on the project, said Jeff Brooker, a commercial-real-estate broker in Harlem.

Quintin E. Primo III, chairman and chief executive of Capri Capital Partners LLC, a minority-owned commercial real-estate management investment firm in Chicago, said falling real-estate values and the lack of financing are hurting development nationwide. But minority communities are being especially hard-hit because unemployment is higher and the pace of gentrification, which was the driver of the new development, has slowed considerably, Mr. Primo said. "As soon as a whiff of trouble appears...these retailers and investors in these communities head in the other direction," he said.

Kimco's Harlem project has been beset with controversy from the start.

When it first acquired the property, the company tried to evict the tenants, some of which had been popular with locals for decades. Five tenants sued the developers, alleging unfair relocation tactics, eventually settling for more than \$1 million, according to Adam Leitman Bailey, the lawyer for the tenants. Kimco declined to comment.

The legal drama played against a backdrop of racial tensions over gentrification, with residents saying the commercial-real-estate boom was displacing lower-income people while bulldozing important cultural institutions.

But almost two years after the settlement, the project hadn't moved forward and the existing space sits nearly empty, with most of the storefronts dark and boarded up.

In a sign of leasing difficulty, the landlords asked at least one former tenant, Manna's Restaurant, to return. Manna's also was one of the plaintiffs in the suit.

Betty Park, the owner of Manna's, said the landlords called her a few months after the settlement and asked her to operate there again on a month-to-month lease. She declined to specify the rent except to say "we pay a little higher" than the original rate and "less than market price."

Kimco wasn't alone during the recession. Vornado Realty Trust still hasn't broken ground on a proposed 660,000-square-foot mixed-use project called Harlem Park.

Vornado declined to comment. But in 2008, Vornado's chief financial officer, Joseph Macnow, was quoted saying at an investor conference that Harlem Park was "shut down" and that "the economics are not warranted" to do the job.

Another stalled development is the \$700 million East Harlem Media, Entertainment and Cultural Center. The three-parcel site was to include 50,000 square feet of retail space for locally owned businesses, 250,000 of class A office space and a 98,000-square-foot hotel.

The groundbreaking for the first phase of the development was slated for 2009 and has been pushed back to this spring, according to a spokeswoman for the city's Economic Development Corporation.