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56 Leonard: Back from the brink

After nearly toppling, the "Jenga" tower is reaching new heights

A rendering of 56 Leonard

Izak Senbahar stands in his 33rd-floor office and shows off a scale model of his latest project: the 60-story glass condo tower rising at 56 Leonard Street. The model, made of Plexiglass pieces stacked like the building's cantilevered floor plates, occupies a prime position on the developer's windowsill overlooking Midtown. And when the tower is complete in two years, it will occupy a similarly prime position in Tribeca.

Last month, 56 Leonard officially hit the market after a month of pre-sales, with 50 percent of its 145 units already in contract for a total of some $450 million worth of deals.

Sales have been brisk, according to Kelly Kennedy Mack, president of Corcoran Sunshine Marketing Group, the firm marketing the property. In fact, interest in the building has been so strong that Corcoran Sunshine had to hire more staff to handle the volume, she said, and attorneys drawing up contracts for buyers had to bring on extra paralegals.

But 56 Leonard's rise has come at a heavy price for the Alexico Group, the company that Senbahar heads with Simon Elias. The financial meltdown threw the skyscraper into a tailspin, pushing it off schedule by nearly six years and leading the sponsors to bring in the national real estate firm Hines as a co-developer.

Through it all, though, the Turkish-born Senbahar has been unwavering in his commitment to the project, refusing to compromise on its scale or its distinctive design by Pritzker Prize–winning architecture firm Herzog & de Meuron.

It may have been too late to reconsider the design anyway, the developers said, since the city had already signed off on the project and the foundation had already been laid. Still, Senbahar's dedication to that design has led some in the industry to say that 56 Leonard will become his legacy.

Senbahar and Elias "really believed full-heartedly in this project, and weren't willing to push forward with anything less than their original vision," Mack said.

That paid off, at least according to Tribeca broker Ryan Serhant of NestSeekers International, who is not affiliated with the project. In Serhant's opinion, 56 Leonard "is the only new building of any architectural significance in the city."

A "Jenga" tower

Two things really set 56 Leonard apart: its height and its silhouette.

The tower will ultimately stand 830 feet high, so tall that Senbahar claims residents on the top floors will be able to see the Atlantic Ocean to the southeast. And its much-buzzed-about profile is jagged — and arresting. Cantilevered floors extend out from a central axis in all directions, giving each unit a one-of-a-kind floor plan. The look has residential real estate brokers referring to the building as the "Jenga Tower," after the game of wooden blocks.

From the beginning, the goal for 56 Leonard was a lofty one: Transform the New York City skyline.

New York Law School initially owned the land at 56 Leonard Street, once home to its Mendik Library. Several deals had fallen through before Senbahar became aware of the opportunity in 2006.

The site — with almost 500,000 buildable square feet as of right — falls in between the east and west historic districts in Tribeca, which both have height restrictions.

"This was an opportunity to build the biggest building in Tribeca," Senbahar told The Real Deal. "Nothing like that had ever been built or could be built again because of the height restrictions in the surrounding historic districts."

To capitalize on the opportunity, Alexico formed a joint partnership with Goldman Sachs and Dune Real Estate Partners, and bought the land for $140 million. Alexico would be the developer, receiving a development fee for managing the project and overseeing construction, but taking only a third of the ownership risk.

The hunt began immediately for a top-tier architect. In the running: Pritzker Prize–winning "starchitects" Zaha Hadid, Thom Mayne and 15 Central Park West designer Robert A.M. Stern. But the winner was Herzog & de Meuron, the firm behind Beijing's "Bird's Nest" stadium and the Tate Modern museum in London.

Principals Jacques Herzog and Pierre de Meuron spent close to a year studying the site, weighing how to take advantage of the views and sightlines, Corcoran Sunshine's Mack said. The design they ultimately came up with has a volumetric base that slims to a dramatic crown. The base of the building will rest on a one-of-a-kind sculpture by artist Anish Kapoor.

Richard Cantor, a principal at new development marketing firm Cantor-Pecorella, which is not involved with the project, called the building "an anomaly."

"It will stand out in the Tribeca landscape for its design and its size," he said.

But for a while it seemed like the project might not happen at all.

In the summer of 2008, before construction financing had even been lined up, the partners started marketing 56 Leonard. Eight to 10 units had already sold by early fall, when Lehman Brothers collapsed.

"We had this super-duper design and all our approvals, the foundations were in place, we opened our sales office and we were selling briskly," Senbahar said. "Suddenly, the world around us was coming down."

The immensity of the financial crisis and its impact on Manhattan's residential market caught the partners off guard.

"[We thought] if you have a great location like Tribeca and a Herzog & De Meuron tower going up, the market didn't have to be too strong for us to sell," Senbahar said. "But there's a difference between a soft market and a depression."

When reality set in, the partners — worried about buyer confidence and the ability to get a construction loan — pulled the plug on sales. The buyers in contract got their money back.

The only thing 56 Leonard had to show at the time was a foundation.

New blood

Luckily, European bank Eurohypo agreed to extend the partners' existing land loan for three years, giving them enough wiggle room to mothball the project until the recession ran its course. For the next two years, they sat on the vacant site — paying interest on its loans and real estate taxes.

"We didn't have a lot of alternatives," said Dan Neidich, co-founder of Dune. "We just had to maintain the property and control it long enough so that the financial crisis would pass, and we would be in a position to participate when the market came back."

During the downtime, Senbahar remained resolute. He said he never entertained thoughts of walking away from the project, selling the site or choosing a less ambitious design.

"The benefits far outweighed the risks" of holding on to the site, Senbahar said. "The dream was there, and we knew we were going to realize it. It was just a matter of time."

When the luxury condo market began to bounce back in the summer of 2011, Dune and Goldman decided the project needed an extra push before it was ready to re-enter the market. They reached out to Hines, which signed on to co-develop the site, but took no ownership stake in the property.

“The financial crisis probably made us a little more conservative,” Neidich told TRD of the decision to bring on another partner. “We wanted more bodies thrown at this. Before the crisis, we were comfortable with the team we had and after the crisis, we just felt we should have more belts and suspenders.”

Hines — headed in New York City by Senior Managing Director Tommy Craig — is now in charge of construction and accounting, while Alexico is overseeing Corcoran Sunshine’s marketing and sales team.

The complexity of the Herzog & de Meuron design was a key reason the original partners tapped the national firm, said David Penick, a vice president at Hines.

“The building will have exposed architectural concrete,” he said. “While that will give very rich and beautiful detail to the building, it will require careful management of concrete construction. The large cantilevers, which start on the seventh floor and reoccur on the upper levels … require extra care in terms of the engineering and construction methodology.”

The cantilevered floors complicate — and lengthen — the building process, Senbahar explained. The standard time to pour the concrete for one story of a regular building is two days; at 56 Leonard, it takes a week to complete each floor.

Adding Hines to the equation initially caused some hard feelings between Alexico and its partners, an industry source told TRD.

The decision to bring on Hines “was the result of discussions on how to alleviate the responsibilities of Alexico,” said the source, who asked to remain anonymous for fear of damaging business relationships. And Alexico will still get a share of the profits, but its ability to benefit financially from the project “has been eaten away to a certain extent by the renegotiation of the fee basis with Hines.”

Neidich said Alexico will not have to give up any of its development fee; instead, all the sponsors put in extra money to pay Hines for its participation, he said.

Both Senbahar and Hines’ Penick denied any negative response to the shift in leadership.

“There was a lot of investment by Dune and Goldman,” Senbahar said. “It’s not a run-of-the-mill building, and the partnership thought that another set of eyes couldn’t hurt.”

Penick, for his part, called Senbahar “a smart and sophisticated guy.”

And Neidich told TRD that the decision to bring on Hines spoke to the partnership’s faith in the company — not to any shortcomings on the part of Alexico.

“Hines has done a lot of large buildings, and we wanted that insurance,” he said.

Of the dynamics since Hines’ involvement, Mack said: “Every once in a while, there’s a lively meeting, but the result of having so many creative people around the table is that it makes decisions that much better.”

Staging a comeback

With Hines on board, the team set about securing a construction loan. In January, a consortium of several banks led by Bank of America came through with $350 million. Construction is now well underway; 56 Leonard had begun to rise at press time.

The building's sales gallery at 75 Leonard Street officially opened last month. The 145 homes range from 1,400 to 6,400 square feet, each with a private outdoor balcony. Asking prices range from $3.78 to $32 million. A 17,000-square-foot amenity space on the ninth and 10th floors has a 75-foot infinity pool, a landscaped outdoor sundeck and a hot tub with views of the Hudson River.

Senbahar said units have been selling for above-ask prices, though he declined to give specifics.

Many purchasers want to live in a building "synonymous with great architecture and high design," Cantor said. "There will be people to whom that idiosyncratic design is irresistible."

Cantor, whose firm is marketing the El Ad Group's nearby 250 West Street condo development, added that 56 Leonard is helping change the image of Tribeca's east side, which has historically been seen as less desirable, and cheaper, than the west side.

"Before, that had been a less-expensive backside of Tribeca," Cantor said. "Now, thanks to buildings like 56 Leonard, 93 Worth Street and 57 Reade Street, you have that strip becoming more vital."

Many of the buyers are local rather than international — a surprise to Mack and her team. She said the building has been popular even with buyers who might have traditionally wanted to live Uptown, in the prime residential neighborhoods near Central Park.

"Previous to the introduction of this property," Mack said, "these people never really considered looking Downtown."