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The Art of Closing the Deal

Some of the city's biggest developers—from [Vornado Realty Trust](#) to [SL Green Realty Corp.](#)—were salivating over a site in the heart of Times Square with potential for a new retail and hotel development. But instead, an unlikely partnership led by an Indiana-based developer little known in New York managed to grab the property at 47th Street and Seventh Avenue, finalized in a tense three-and-a-half week negotiation.



Bryan Derballa for The Wall Street Journal

Howard Michaels, the chairman of the Carlton Group

About \$800 million

Cost of buying and developing hotel and retail at 701 Seventh Ave.

Mark Siffin, of Maefield Development, who has developed major properties in Miami and Los Angeles, but has never worked in New York before, spent four years assembling components of the site, including the building itself and signage rights, without knowing if he could buy out the tenants in the building—the last critical piece of the deal, which would allow him to raze the building and create a new development.

But with a deadline looming, Mr. Siffin didn't have the approximately \$400 million he needed to close the deal.

Running out of extensions to the closing deadline, Mr. Siffin was introduced to Howard Michaels, chairman of the Carlton Group, through his lender, Jay Sugarman, chairman and chief executive of iStar Financial Inc. "It was now the bottom of the ninth and Sugarman wanted

to see this thing have a happy ending," Mr. Michaels recalls.

Mr. Michaels, who began his career selling photocopying machines and spent years as a loan syndicator, specializes in raising equity for complicated transactions. That's proven particularly important in recent years due to the difficulty of obtaining financing. Mr. Michaels initially balked at the challenge of bringing together the Times Square deal, one of the most complex he says he's ever worked on. "Raising \$600 million for something with no cash flow is near impossible," Mr. Michaels says. "I was taken in with Siffin and his charisma and the brilliance of the plan."

Mr. Michaels ultimately brought in a group consisting of New York developer Steven Witkoff, Howard Lorber's



Bryan Derballa for The Wall Street Journal

The building at 47th Street and Seventh Avenue will be redeveloped.

New Valley LLC and Michael Ashner's [Winthrop Realty Trust](#) . Mr. Witkoff shook hands with Mr. Siffin on a Friday afternoon at Le Bilboquet, an Upper East Side restaurant, and recalls that the pair worked tirelessly over the course of the next few weeks to close the deal. "We walked the site until two in the morning on multiple days," Mr. Witkoff says.

Barry Sternlicht, of Starwood, provided the key financial piece, committing \$475 million in combined acquisition and construction financing for the development. Winthrop agreed to contribute an additional approximately \$100 million. The total cost of the hotel

and retail project is expected to be about \$800 million.

The deal closed Tuesday, and the partnership now plans to spend \$370 million to build a mixed-use complex that would include a 30-story hotel, as much as 120,000 square feet of retail, with restaurant space and a large outdoor rooftop overlooking Times Square. "I think that that area of Manhattan and that specific location in Times Square is in the midst of a renaissance. We're converting that turban space into a 21st-century piazza, reminiscent of places like Florence or Milan," Mr. Siffin says.

—Laura Kusisto

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