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Star of Real Estate Boom is Confronting Hard Times

By CHRISTINE HAUGHNEY

THROUGH the real estate boom, few new developers filled the city with luxury condominiums as fast as Shaya Boymelgreen. He turned Wall Street corner offices into minimalist bachelor lairs, built TriBeCa apartments snapped up by celebrities like Gwyneth Paltrow and crowded the edges of Park Slope, Brooklyn, with condos.

But Mr. Boymelgreen, 58, has since retreated mightily from the limelight as his fortune has reversed.

He is battling a bankruptcy filing against one of his companies, eviction from his Brooklyn headquarters — a judge ruled Tuesday morning that the proceedings could move forward early next year — and the seizure of a Queens theater in what the buyer calls a “friendly foreclosure.” Condo owners are filing lawsuits over his construction. He has cut his staff to 15 from 200, his spokeswoman says, and several former co-workers report that the five of his eight children who are in the family business are looking for other employment.

Mr. Boymelgreen arrived in New York City from Israel in 1969 and worked in asbestos removal before getting involved in small development projects. His break came in 2001, when he met the diamond magnate Lev Leviev on a cruise, and the two became business partners.

Mr. Boymelgreen went on to build more than 2,400 apartments in New York City and expanded his real estate empire into more than a dozen countries.

As his star rose in the real estate world, so did his public profile. Mr. Boymelgreen regularly appeared at construction sites with his hulking driver, entertained employees at his lakefront compound upstate and hosted real estate executives at a martini-infused private concert by John Legend.

“This guy was headed to be the next Robert Moses,” said [Howard L. Zimmerman](#), an architect whose firm was hired by residents of three of Mr. Boymelgreen’s Brooklyn buildings to address construction problems. “He just flamed out. I don’t think he had the infrastructure to sustain the growth.”



PHIL MANSFIELD/THE NEW YORK TIMES

Shaya Boymelgreen standing in front of his property at 20 Pine Street in 2005.

For his part, Mr. Boymelgreen has said little and has kept his message upbeat. “We’re dealing with the problems we have as serious and worthy of our full attention,” he said in a statement. “Setbacks are difficult and regrettable, but when you lose your confidence you’ve lost all.”

Sara Mirski, managing director of development for Mr. Boymelgreen, maintains that he will develop the Queens theater site along with properties on West 23rd Street, upstate and in Texas. He is just waiting for “when financing is available,” she said.

But the developer Sam Suzuki said that his lawyers were drafting a contract to buy the theater property’s mortgage from the bank, that he was doing due diligence on the property and that he planned to close early next year.

Meanwhile, a recent condo project at 20 Pine Street, in the financial district, remains entangled in a dispute with Mr. Leviev’s company, Africa Israel USA, over construction responsibilities, said Richard A. Marin, the company’s chief executive. Relations between Mr. Boymelgreen and Mr. Leviev have been sour since a split in 2007.

LibertyPointe Bank, which Mr. Boymelgreen founded in 2005, received a cease and desist notice from the Federal Deposit Insurance Corporation in July, ordering it to halt some of its business, like commercial real estate loans. The bank’s president, Merton Corn, said it was working to collect on the troubled loans and had not been making any new ones.

On Friday, the F.D.I.C. gave the bank 30 days to raise cash. Mr. Corn said that he hoped to raise the necessary capital and that he had “a couple of prospects.”

Mr. Boymelgreen is also facing criticism from residents of earlier projects. Gus Sheha of 42 Main Street, a 20-unit Boymelgreen building in Brooklyn’s Dumbo neighborhood, said residents have spent \$250,000 on repairs since 2003 — including work to connect the building’s waste line to the city’s so that sewage would stop flowing into the street.

Mr. Sheha said that in 2005 Mr. Boymelgreen offered the building’s residents a \$250,000 settlement if they agreed to sign a waiver releasing him from liability for any new problems; they turned him down.

Ms. Mirski, the spokeswoman for Mr. Boymelgreen, would not comment on any settlement at 402 Main Street, but said that lately many condo boards had been seeking settlements, which she attributed to “a reduction in common charge income resulting from foreclosures or delayed or nonpayment by residents.”

Residents of the 173-unit Newwalk building, a former Daily News printing plant in Prospect Heights, Brooklyn, that Mr. Boymelgreen finished converting into condos in 2002, have spent \$5 million in repairs and legal fees to address structural problems, said Michael Rogers, a member of Newwalk’s condo board. He said the building had so many leaks that some of its original concrete beams had started to fall apart.

“This was a really solid building,” Mr. Rogers said. “The construction is so poor. It’s construction that could have hurt people.”

Mr. Boymelgreen’s handling of criticism did not help, residents and lawyers said. While many developers have had similar problems in new buildings, [Mr. Zimmerman](#) said, Mr. Boymelgreen stood out because he fought accepting responsibility for repairs.

When [Mr. Zimmerman](#) met with Mr. Boymelgreen and his staff about the problems in three Brooklyn buildings, he said, the developer repeatedly argued, “What do they expect — a Manhattan building?”

Ms. Mirski disputed that account and said, “Codes and professional standards of workmanship are the same in any borough or locale.”

Then there is the convoluted eviction battle: Henry Weinstein, who owns a Prospect Heights building that Mr. Boymelgreen leases, and where he has his office, sued Mr. Boymelgreen in 2003 for selling the lease on the building to Forest City Ratner, the developer of the Atlantic Yards project. The office is located within the Atlantic Yards site.

But hours before Mr. Weinstein was to evict Mr. Boymelgreen, Henry Herbst — whose company installed telecommunication systems in Mr. Boymelgreen's projects and who also had his offices in the building — filed bankruptcy proceedings against Mr. Boymelgreen, according to public records and interviews with Mr. Herbst and Mr. Weinstein's lawyer, David Brody. Mr. Herbst said he feared losing his office and the offices he sublet to others.

"He refused to go into bankruptcy," Mr. Herbst said. "So we put him into bankruptcy."

Mr. Boymelgreen's defenders pointed out that most people in the real estate industry are struggling. Eric Kogan, a contractor on several projects, said that he "feels so bad" that his former boss is in trouble. "Look at me," he said, working the cash register at a Subway sandwich franchise he bought on West 41st Street. "I used to do sky rises. Now look at what I'm doing."

Former co-workers say Mr. Boymelgreen should be judged by his achievements. Edan Shibolet, who was his director of finance and investment, said his former boss has not forgotten his roots. During the boom, he remained in the semidetached brick home in Crown Heights, Brooklyn, where he raised his family, he said. He expects Mr. Boymelgreen will be fine.

"Like a Trump, like a Macklowe, they continue to keep growing," Mr. Shibolet said. "They don't stop, ever."

Alain Delaqu erie contributed reporting.

This article has been revised to reflect the following correction:

Correction: January 8, 2010

An article on Dec. 2 about Shaya Boymelgreen, a star of the New York real estate boom who has fallen on hard times, misstated part of the address of one of his apartment projects, in Brooklyn's Dumbo neighborhood. It is at 42 Main Street, not 402. A reader pointed out the error in an e-mail message this week.