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Gem Tower Tenants Could Receive Low-Interest Loans

By Charles V. Bagli

The 34-story International Gem Tower in the city's diamond district has been struggling to get up from the ground, but that has not stopped it from receiving a string of government subsidies and tax breaks.



The city is already offering the developer \$49.6 million in tax breaks, and the federal government recently declared the building a foreign trade zone, absolving jewelry manufacturers of having to pay custom duties on many imports and exports. And on Thursday, Gov. [David A. Paterson](#)'s top economic development officials are expected to approve the largest loan ever under the state's jobs program for future tenants in the tower, up to \$100 million.

Under the state's program, jewelry and diamond merchants who purchase condominiums in the 748,000-square-foot tower on West 47th Street will be eligible for special low-interest loans of up to \$5 million, or half the price of the space.

The \$750 million tower, which will include high-security vaults, a private club and a gym, is designed to house top diamond and jewelry merchants. Supporters say the loan program will help an industry that is competing with diamond centers in Shanghai, Hong Kong, Dubai and Antwerp.

"I'm excited about being part of solidifying an industry that faces a competitive environment and helping bring them to a more modern facility," said Dennis M. Mullen, chairman of New York's Empire State Development Corporation.

But critics contend the government should not be subsidizing the United States diamond trade, which already accounts for 40 percent of diamond sales internationally.

"The state should not give more subsidies to an industry that is so well established in the city," said Bettina Damiani, director of Good Jobs New York, an advocacy group that tracks government subsidies. "At a time when we are experiencing a budget crisis, catering to the real estate and diamond industries seems remarkably tone-deaf to the needs of average New Yorkers."

Ms. Damiani said the jewelry shops on 47th Street might need some upgrading, but not this level of taxpayer help.

New York remains a strong center for the industry simply because it is the gateway for a thriving American market. But industry analysts contend that New York will not be able to bring back the diamond cutters, polishers and manufacturers who have disappeared in recent decades because it is far cheaper to do their work in China or India. The diamond centers in Antwerp, Belgium, and Ramat Gan, Israel, face the same issue.

The gem tower, being built by the Extell Development Company, was approved in 2006 after initially running into criticism from landlords on 47th Street who feared that the building would steal their tenants rather than generate new jobs.

The city agreed to provide the project with as much as \$49.6 million in tax breaks, as long as the tower was filled primarily with tenants from the jewelry industry, at least half of which are either new to the city or expanding businesses.

Extell demolished the vacant buildings on the site and did some excavation before halting work in 2008. A similar project by another developer in Las Vegas was put on hold indefinitely.

Thirteen months ago, Extell had a second groundbreaking, which Mayor [Michael R. Bloomberg](#) attended. The developer said he would have one-third of the tower under contract by the end of 2009.

But the going has been slow. The steel has yet to rise above the foundation and a ground-level slab. On Wednesday, a tower crane stood silently over the construction site, much as it has for weeks. Extell officials say they hope to secure a construction loan in the next few weeks.

Raizy Haas, a senior vice president at Extell, said on Wednesday that they had contracts with a number of companies for about 140,000 square feet, or less than one-fifth of the tower. The Gemological Institute of America, an important pillar of the industry, has agreed to take the fifth floor.

But success may come down to the same question as any other development project.

“They’re working hard, flying around the world to get as many people as possible into the building,” Martin Rapaport, publisher of the Rapaport Diamond Report, said of Extell. “But the diamond guys who have money are pretty cagey guys. It really depends on price.”

Most of the public benefits will go to tenants, not the developer, Ms. Haas said. The state loans provide tenants with assurances that the money will be available at a time when small business loans are hard to come by.

“We’re confident that everyone can benefit,” she said. “The industry needs to be revitalized. It’s got to be able to compete with the other international diamond and jewelry centers.”