

## City taps developers for E. Harlem project

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A group of seven organizations, including General Growth Properties, was selected on Tuesday to develop a \$700 million, 1.7 million-square-foot mixed-used project on East 125th Street.

The announcement came after the City Council passed the necessary rezoning to build the project, which will include 600 affordable housing units, new office and retail space and a hotel. It is set to break ground next year.

The choice of General Growth was surprising because the company has been plagued by concerns that it won't be able to repay its debt, with some published reports suggesting the company might have to file for bankruptcy. Last week it suspended its dividend and replaced its chief financial officer, who had to sell company shares to cover margin calls.

On Tuesday, General Growth shares fell 42% to \$3.25 on the New York Stock Exchange, making it the biggest percentage loser of the day.

In a statement, the New York City Economic Development Corp. said that General Growth has made urban development one of its priorities and that other members of the team have put up money that could be at risk if the expected groundbreaking deadline of late 2009 is not met. General Growth didn't return a call for comment.

The city controls more than 82% of the land that will be needed for the project and says it is in discussion with private land owners to acquire the rest of the site. However, land owners have said they fear the city will use eminent domain to acquire their parcels and deprive them of the land's fair value. The EDC says some of land owners have refused to negotiate.

The development team includes East Harlem M/E/C LLC, Archstone-Smith, the Richman Group, Monadnock Construction, the Carey Group LLC and local partners Hope Community and El Barrio's Operation Fightback.

The site lies between East 125th and East 127th streets, from Second to Third avenues.

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