

# Appraisal Puts West Side Railyards' Value at 3 Times the City's Offer

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By CHARLES V. BAGLI

The Bloomberg administration's plan to buy the development rights to the 26-acre railyards on the Far West Side of Manhattan has hit another snag: money.

The Metropolitan Transportation Authority, which owns the railyards on both sides of 11th Avenue between 30th and 33rd Streets, received an appraisal this week that pegged the value at \$1.5 billion, according to authority board members and city officials.

That is three times the \$500 million offered by the Bloomberg administration in a

surprise bid in July. The appraisal further complicates a deal that the administration had hoped to wrap up quickly.

The city's offer has already come under fire from Attorney General Elliot Spitzer, who is running for governor, as "grossly under market value."

City officials said the gap between the city's offer and the new appraisal was not as large as it seemed, but it also appeared that the Bloomberg administration would almost certainly have to sweeten its offer.

"Clearly, this is a new wrinkle in the deal," said Peter S. Kalikow, chairman of

the transportation authority.

Mr. Kalikow said that board members would begin evaluating the document after the Labor Day weekend.

Tom Kelly, a spokesman for the authority, confirmed that the appraisal was complete, but declined comment.

According to officials who have been briefed on the appraisal by Jerome Haims Realty, it sets the value of the development rights for the railyard on the west side of 11th Avenue at more than \$1.2 billion, based on the ability to develop a large residential and commercial complex.

A smaller block of development rights on

the east side of 11th Avenue is worth about \$300 million, the officials said.

Even if the authority subtracted the estimated \$400 million cost of building a platform over the western railyard, the appraised value would still be more than twice the city's offer.

"We continue to negotiate with the M.T.A.," said Stu Loeser, a spokesman for Mayor Michael R. Bloomberg. "We think our offer is fair. We're not looking to make a profit here."

Back in July, Deputy Mayor Daniel L.

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Doctoroff said the city hoped to use the offer to catalyze development in this neighborhood of factories, warehouses and parking lots.

Buying the development rights, he said, would ensure that any development would be consistent with a comprehensive zoning plan adopted last year by the city.

The city is also selling development rights under its rezoning plan and did not want to compete with the transportation authority.

The Bloomberg administration had discounted its offer based on the cost of building a platform over the railyards and on a provision for subsidized housing, which is required in the surrounding neighborhood.

Still, Mr. Spitzer said yesterday, there is a substantial gap between the city's offer and the appraisal.

"If this report is accurate, it suggests that the value of the Hudson Yards, even after making deductions for the cost of a platform and adjustments for affordable housing and other amenities, is significantly greater than the price the city has offered," he said in a statement released yesterday.

Mr. Spitzer has suggested that the development rights should be put up for auction, or the city could give the authority most of the profit it makes on any resale to developers, and that the proceeds, in turn, should go into the authority's capital budget.

The appraisal highlights the difficulty of evaluating a property, like the railyards, that offers waterfront views but requires a costly platform before any buildings can be erected.

## Complicating the Bloomberg administration's plans for a choice location.

The city's offer is also based on a different set of assumptions from those used in the Haims appraisal.

The Jets, who had sought unsuccessfully to build a stadium over the western railyard last year, estimated the cost of a platform at \$357.1 million.

With construction costs rising quickly in New York, the Bloomberg administration now puts the cost at \$400 million.

But architects and engineers say that building a platform for high-rise towers, as opposed to a stadium, will be more expensive and more of a logistical challenge.

The taller buildings would be buffeted by river winds, requiring a more substantial platform and thicker stanchions to hold it up.

Most developers say they would subtract the cost of a platform from the value of the development rights.

But the Haims appraisal does not assess the cost of a platform, one of the reasons city officials say the gap would not be so large.

Given the current zoning at the railyards, very little could be built there.

The Haims appraisal assumes a major rezoning that would allow for 7.87 million square feet of residential and commercial buildings.

It is based on the same kind of zoning the city recently approved for an adjacent parcel.

But the city's offer envisions a project that is 20 percent smaller, at 6.2 million square feet, although it also assumes a mix of residential and commercial towers.