

NEWS

Developers getting that sinking feeling?

Allegations of appliance looting as finance strain starts to show

BY DANIEL GEIGER

A new and seamy chapter has emerged in the sale of the mortgage tied to the Brooklyn condo, Warehouse 11. The 120-unit's developers, Yitzchok Schwartz and Isack Rosenberg, defaulted on their \$45.6 million mortgage with Capital One earlier this year, prompting the bank to offer its loan in the nearly complete project to interested buyers.

Now Capital One has launched a lawsuit to wrench control of the nearly complete property from Schwartz and Rosenberg on allegations that the pair has looted the building's appliances and let it fall into decay from exposure to the elements.

Capital One hired a team from the real estate brokerage firm Massey Knakal, led by the firm's chairman Bob Knakal, last spring to begin marketing the note in an attempt to clear the troubled project from its books.

According to a lawsuit filed by Capital One, members from Knakal's team noticed during an inspection of the building a few months later, in July, that fixtures and appliances that had previously been installed in the units had suddenly gone missing.

In documents filed in State Supreme

visited the Premises, with a team of colleagues, to observe its condition in order to market the loan to prospective purchasers," Hageman recounts in a statement contained within Capital One's suit. "I observed during this visit that none of the units that I visited... contained any household appliances."

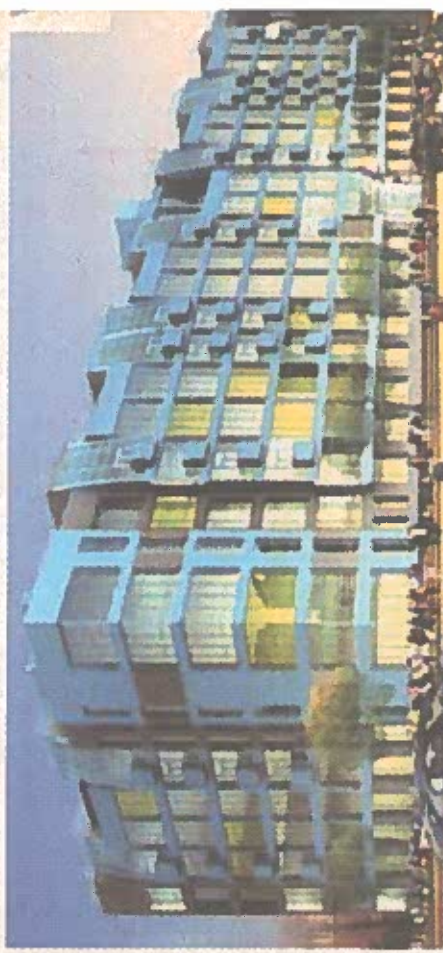
The pair claimed units were missing bathroom sinks, stoves and said the developer locked them out of most of the units and forced them to "to exit through the back doors through the parking lot," before completing their inventory.

Capital One's complaint concludes that the theft was perpetrated by Schwartz and Rosenberg or by "individuals permitted access to the Premises by the Defendants."

But stealing hasn't been Capital One's only complaint. The suit alleges that water has been collecting in the fallow property's basement since at least January and has caused damage including mold.

Capital One is seeking to have the property placed into the hands of a receiver, an entity that will take control of the building until the bank can sell the loan.

So far, that action has been tied up as the case was moved from State Supreme



How it could have been. A rendering of Warehouse 11 when the project was first unveiled.

tually planning to bid on the note, which they estimate is worth about \$34 million, in an attempt to reduce their debt.

As for the alleged stealing and water damages to the property, a lawyer for the two stated in a bankruptcy court hearing that Capital One's claims were "ludicrous."

"Why would they damage their own 98 percent-completed project when they stand to reorganize themselves and profit and get back on their feet?" The lawyer asks.

"On the question of the second al-

legation they [Capital One] made about removing appliances, I mean in an of itself it's sort of ludicrous," the lawyer continues. "One, there were no refrigerators at the premises and... two, there was a burglary in the facility... and that was reported immediately to the police."

In addition to the loan with Capital One, Schwartz and Rosenberg have a roughly \$15 million mezzanine loan with the real estate investment group RCG Longview and have racked up numerous mechanics liens and other judgments on the property.