

NY REAL ESTATE RESIDENTIAL | November 17, 2010

Trump SoHo Refunds Money

By CRAIG KARMIN



The Trump SoHo is offering to refund deposits to some buyers.

The Trump SoHo owners are offering disgruntled condo buyers up to half their deposits back if they agree not to become part of a lawsuit alleging fraud, say people familiar with the matter.

The unusual offer applies only to buyers who haven't closed their purchases in the flashy 46-story hotel and condominium on Spring Street.

The suit, filed in August, alleges that representatives of Trump SoHo engaged in "fraudulent misrepresentations and deceptive sales practices" by inflating the number of purchases to attract more buyers.

A spokeswoman for Trump SoHo said that the developers "do not comment on litigation." Donald Trump, whose company has a licensing and management agreement with the building, was also named in the suit. He declined comment on the suit.

However, Mr. Trump said the prospect of converting unsold units at the troubled project to a pure hotel was appealing. "Because the hotel is doing so well, I'm personally going to recommend it."

Seventeen buyers of eight units in the condo project joined in the suit. The Trump SoHo has 391 condos. It's unclear how many buyers have been offered part of their deposits back in return for not joining the lawsuit.

Real-estate attorneys said the move by the Trump SoHo developers, a venture between the Sapir Organization and Bayrock Group, showed concern about the pending lawsuit. "They must think the fraud

lawsuit has legitimacy and that they will have to settle for more than 50%," says Pierre E. Debbas, a New York attorney whose former client was given one of these offers.

Alternatively, he suggested, the deposit refunds made sense if the developers are planning to convert the project to a pure hotel, in which case they would likely have to refund the entire deposits to condo buyers who haven't yet closed. An official at the law firm **Adam Leitman Bailey**, which represents the buyers, declined to comment on the prospect of refunds.

The refund offers are the latest sign of stress at the Trump SoHo, which has had a difficult time in a turbulent market that has been particularly hard on condo hotels. Prices in the Trump SoHo initially started at \$1.2 million for a studio.

In recent months, the developers restructured their financing with iStar Financial and recruited a California lender to provide loans to interested buyers because conventional financing for condo hotels has all but dried up. The owners also offered discounts of up to 25% of the agreed-upon purchase price to buyers in contract who were reluctant to close.

The lawsuit, filed in U.S. District Court in the southern district of New York, alleges that defendants stated to media and in sales pitches that as many as 60% of the units had been sold. But when the offering plan was made effective earlier this year, only 62 buyers of the units were indicated as in contract to the New York Attorney General's office.

Trump SoHo lawyers have said about a quarter of the units are in contract and that the numbers reported to the attorney general were the minimum needed to reach the 15% threshold for the building's offering plan to be declared effective.

The downtown property, which Mr. Trump initially unveiled on an episode of his reality show, "The Apprentice," faces unusual challenges. Under zoning rules, condo owners are permitted to stay in their units no more than 120 days a year. On other days, those same condos are rented out to hotel guests.