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Developer attains 'a real little gem' in ManhattanWest, now the Gramercy

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The mothballed ManhattanWest project, a visible scar of Las Vegas' building bust, has been sold for pennies on the dollar and is earmarked for completion.

The Krausz Cos. spent $20 million about a week ago for the 20-acre partially finished project, which consists of office, retail and residential space on Russell Road just west of the 215 Beltway. Krausz, based in California, will develop the project with Las Vegas' WGH Partners.

They plan to start construction by the end of September and spend at least another $30 million to finish the project, which, in sticking with the New York City theme, has been renamed the Gramercy, WGH partner Benjy Garfinkle said.

The property is ringed with barbed-wire fence and patrolled by 24-hour armed security. It has two four-story office buildings, two four-story residential buildings and a nine-story residential tower. The project also includes ground-floor retail.

Under the original developer's plans, the residential units would have been for-sale condos priced between $200,000 and $1 million. They are now all slated to be apartment rental units.

Overall, the new owners envision the Gramercy as a lively gathering spot with farmers markets, food trucks and movies, as well as other amenities.

"We think we've got a real little gem," Garfinkle said.

Krausz executives did not respond to requests for comment.

Finishing mothballed real estate projects is never easy; they often are tangled in lawsuits, liens, bankruptcies and foreclosures. But Garfinkle and his partners, Michael Werner and Ofir Hagay, bought and completed a failed project just last year in Las Vegas, albeit on a much smaller scale than the former ManhattanWest.

Off Russell Road just east of the Beltway, not far from the Gramercy, are a pair of unfinished two-story office buildings they bought last June. Within eight months, they had completed the project and got its first tenant, Keller Williams Realty, to move in.

Known as the Red Rock Business Center, the buildings are mostly vacant. However, Garfinkle said his group is talking with several prospective tenants, including one that could take an entire building.

Alex Edelstein, now a tech executive in San Francisco, started developing ManhattanWest after he built the $230 million Manhattan Condominiums project — about five miles south of the Strip — during the boom era and sold its initial 700 units. ManhattanWest was slated to cost $330 million, with the first of two phases completed by March 2009, according to Las Vegas Sun archives.

When the economy began to weaken, Edelstein, then CEO of Gemstone Development, pushed back against what he described as the media's "perennially negative spin on the economy and the housing market."

In June 2008, he sent out a press release announcing his new blog, FrothingDeveloper, saying he created it "to expose the inaccuracies prevalent in today's news stories, and to provide a forum for the positive statistics and facts that get buried at the bottom of back page stories, if published at all."

"If you read and believe all of the negative stories in the traditional media and vulture blogs, it's easy to get a skewed perspective on what's really happening in the economy and the housing markets today — particularly in the local Las Vegas market," he said. "We'll go hand-to-hand with anyone who knocks Las Vegas' prospects without an understanding of our market and the real facts. We kept waiting for the media to pick up the positive news here and finally decided we needed to just get the word out ourselves."

The press release continued: "'I love the smell of recession in the morning,' jokes Edelstein. The greatest opportunities come when everyone else is paralyzed by fear, particularly when I know that fear is irrational.'"

By January 2009, he had mothballed ManhattanWest after his lenders reportedly yanked the financing. Gemstone now appears to be defunct, and Edelstein is currently the CEO of Servio, an online marketing firm that he co-founded.

He could not be reached for comment.

According to Garfinkle, Edelstein spent $170 million on ManhattanWest before it flopped, and he sold it this month to the new owners for pennies on the dollar. The project had been buried in liens and lawsuits, and although there is still some litigation between the lenders and lien holders, it won't affect the new development plans, Garfinkle said.

Garfinkle, who has 35 years of real estate experience, said his group started eyeing the project last spring. But given all the legal woes, his group had to work for more than a year to close the sale.

"I would put this as one of the most complex, complicated contract closings that I've been involved in," he said.