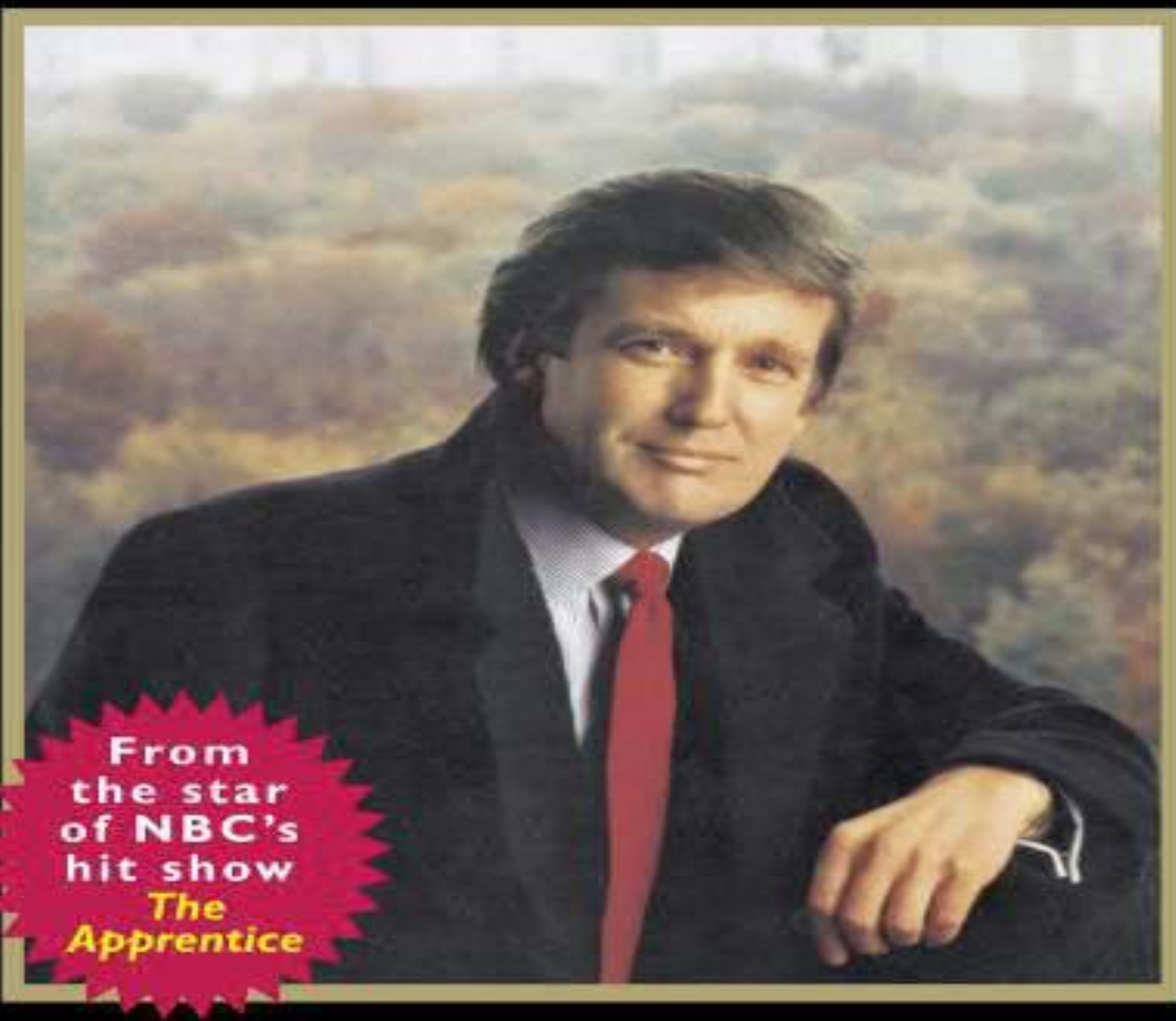
#1 NATIONAL BESTSELLER

TRUMP
THE ART OF THE DEAL



DONALD J. TRUMP with TONY SCHWARTZ

<u>**TRUMP**</u>

TRIUMPHS!

TRUMP

THE ART OF THE DEAL

“THE GAMESMANSHIP OF DEALMAKING IS HIS SPORT…. Like him or hate him—just don’t ignore him … Cary Grant had his accent; Clark Gable his pencil mustache. Donald Trump has his money and power, and like the other romantic heroes, he knows what to do with them … we are swept into the romance.”

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—*The Boston Globe*

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—*Worcester (MA) Sunday Telegram*

"HIS LIFE STORY IS WORTH WRITING AND WORTH READING."

—*Tulsa World*

"AN ENGAGING ACCOUNT OF LIFE AS A MAJOR-LEAGUE HUSTLER.… Candid (to the point of bluntness), Trump offers insights as well as intelligence on what it takes to succeed in big business."

—*Kirkus Reviews*

"OFFERS A PRIMER FOR THOSE WHO WOULD FOLLOW HIS PATH TO THE TOP.… Trump's life is dramatic proof that the rewards are there for those who dare."

—*The Berkshire Eagle*

"HE IS THE LATEST OF A BREED UNIQUE TO THIS DECADE—A SUPERSTAR MEMBER OF THE BUSINESS WORLD. *Trump: The Art of the Deal* may be worthwhile just for the insight it gives on life in the big league."

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TRUMP

THE ART OF THE DEAL

DONALD J. TRUMP
with TONY SCHWARTZ

BALLANTINE BOOKS • NEW YORK

The Art of the Deal is a commonsense guide to personal finance. In practical-advice books, as in life, there are no guarantees, and readers are cautioned to rely on their own judgment about their individual circumstances and to act accordingly.

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To my parents—Fred and Mary Trump

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DEALING
A Week in the Life

I DON'T do it for the money. I've got enough, much more than I'll ever need. I do it to do it. Deals are my art form. Other people paint beautifully on canvas or write wonderful poetry. I like making deals, preferably big deals. That's how I get my kicks.

Most people are surprised by the way I work. I play it very loose. I don't carry a briefcase. I try not to schedule too many meetings. I leave my door open. You can't be imaginative or entrepreneurial if you've got too much structure. I prefer to come to work each day and just see what develops.

There is no typical week in my life. I wake up most mornings very early, around six, and spend the first hour or so of each day reading the morning newspapers. I usually arrive at my office by nine, and I get on the phone. There's rarely a day with fewer than fifty calls, and often it runs to over a hundred. In between, I have at least a dozen meetings. The majority occur on the spur of the moment, and few of them last longer than fifteen minutes. I rarely stop for lunch. I leave my office by six-thirty, but I frequently make calls from home until midnight, and all weekend long.

It never stops, and I wouldn't have it any other way. I try to learn from the past, but I plan for the future by focusing exclusively on the present. That's where the fun is. And if it can't be fun, what's the point?

MONDAY

9:00 A.M. My first call is to Alan ("Ace") Greenberg, on the trading floor of Bear Sterns, a major Wall Street investment banking firm. Alan is the CEO of Bear Sterns, he's been my investment banker for the past five years, and he's the best there is. Two weeks ago, we began buying stock in Holiday Inns. It was selling in the 50s. As of this morning, Alan tells me, I own just over one million shares, or slightly more than 4 percent of the company. The stock closed Friday at $65 a share, mostly, Alan says, because word is out on the street that I've been a big buyer, and there's speculation I am planning a run at the company.

The truth is I'm keeping my options open. I may ultimately go for control of Holiday, which I think is somewhat undervalued. At the current stock price, I could get control for less than $2 billion. Holiday's three casino-hotels could be worth nearly that much—and the company owns another 300,000 hotel rooms besides.

A second option, if the stock price goes high enough, is to sell my stake and take a very nice profit. If I did that today, I'd already be up about $7 million. The third possibility is that Holiday may eventually offer to buy back my shares, at a premium, simply to get rid of me. If the premium is big enough, I'll sell.

In any case, I enjoy seeing the lengths to which bad managements go to preserve what they call their independence—which really just means their jobs.

9:30 A.M. Abraham Hirschfeld calls me, looking for advice. Abe is a successful real estate developer but he wants to be a politician. Unfortunately for Abe, he's a far better developer than politician.

This fall, Abe tried to run for lieutenant governor against Governor Cuomo's hand-picked candidate, Stan Lundine. Cuomo led a court fight to get Hirschfeld off the ballot on technical grounds, and sure enough, halfway into the campaign, the court ruled Hirschfeld out. Abe knows I'm friendly with the governor, and he wants my advice now on whether he should endorse Cuomo or switch parties and endorse Cuomo's opponent. I tell him it's a no-contest question—stick with a winner and a good guy at that.

We set a meeting for Thursday.

10:00 A.M. I call Don Imus to thank him. Imus has one of the most successful radio shows in the United States on WNBC, and he's been helping to raise money for the Annabel Hill fund.

I'm amazed at how this has snowballed into such a media event. It began last week when I saw a national news report by Tom Brokaw about this adorable little lady from Georgia, Mrs. Hill, who was trying to save her farm from being foreclosed. Her sixty-seven-year-old husband had committed suicide a few weeks earlier, hoping his life insurance would save the farm, which had been in the family for generations. But the insurance proceeds weren't nearly enough. It was a very sad situation, and I was moved. Here were people who'd worked very hard and honestly all their lives, only to see it all crumble before them. To me, it just seemed wrong.

Through NBC I was put in touch with a wonderful guy from Georgia named Frank Argenbright, who'd become very involved in trying to help Mrs. Hill. Frank directed me to the bank that held Mrs. Hill's mortgage. The next morning, I called and got some vice president on the line. I explained that I was a businessman from New York, and that I was interested in helping Mrs. Hill. He told me he was sorry, but that it was too late. They were going to auction off the farm, he said, and "nothing or no one is going to stop it."

That really got me going. I said to the guy: "You listen to me. If you do foreclose, I'll personally bring a lawsuit for murder against you and your bank, on the grounds that you harassed Mrs. Hill's husband to his death." All of a sudden the bank officer sounded very nervous and said he'd get right back to me.

Sometimes it pays to be a little wild. An hour later I got a call back from the banker, and he said, "Don't worry, we're going to work it out, Mr. Tramp." Mrs. Hill and Frank Argenbright told the media, and the next thing I knew, it was the lead story on the network news.

By the end of the week, we'd raised $40,000. Imus alone raised almost $20,000 by appealing to his listeners. As a Christmas present to Mrs. Hill and her family, we've scheduled a mortgage-burning ceremony for Christmas Eve in the atrium of Trump Tower. By then, I'm confident, we'll have raised all the money. I've promised Mrs. Hill that if we haven't, I'll make up any difference.

I tell Imus he's the greatest, and I invite him to be my guest one day next week at the tennis matches at the U.S. Open. I have a courtside box and I used to go myself almost every day. Now I'm so busy I mostly just send my friends.

11:15 A.M. Harry Usher, the commissioner of the United States Football League, calls. Last month, the jury in the antitrust suit we brought against the National Football League ruled that the NFL was a monopoly, but awarded us only token damages of one dollar. I've already let the better players on my team, the New Jersey Generals, sign with the NFL. But the ruling was ridiculous.

We argue about the approach we should take. I want to be more aggressive. "What worries me," I say to Harry, "is that no one is pushing hard enough on an appeal."

12:00 noon Gerry Schoenfeld, head of the Shubert Organization, the biggest Broadway theater owners, calls to recommend a woman for a job as an office administrator. He tells me the woman specifically wants to work for Donald Trump, and I say she's crazy but I'll be happy to see her.

We talk a little about the theater business, and I tell Gerry I'm about to take my kids to see *Cats*, one of his shows, for a second time. He asks if I'm getting my tickets through his office. I tell him that I don't like to do that sort of thing. "Don't be silly," he says. "We have a woman here whose job it is to handle tickets for our friends. Here's her number. Don't hesitate to call."

It's a nice gesture from a very nice guy.

1:15 P.M. Anthony Gliedman stops by to discuss the Wollman Rink project. Gliedman was housing commissioner under Ed Koch. At the time we fought a lot, and even though I ended up beating him in court, I always thought he was bright. I don't hold it against people that they have opposed me. I'm just looking to hire the best talent, wherever I can find it.

Tony has been helping to coordinate the rebuilding of the Wollman Skating Rink in Central Park, a project the city failed at so miserably for seven years. In June I offered to do the job myself. Now we're ahead of schedule, and Tony tells me that he's set up a press conference for Thursday to celebrate the last important step in construction: pouring the concrete.

It doesn't sound like much of a news event to me, and I ask him if anyone is likely to show up. He says at least a dozen news organizations have RSVPd yes. So much for my news judgment.

2:00 P.M. I get deposed in a lawsuit we've brought against a contractor on Trump Tower. Halfway into the job we had to fire the company for total incompetence, and we're suing for damages. I hate lawsuits and depositions, but the fact is that if you're right, you've got to take a stand, or people will walk all over you. In any case, there's no way I could avoid depositions, even if I never brought a lawsuit myself. Nowadays, if your name is Donald Trump, everyone in the world seems to want to sue you.

3:00 P.M. I ask Norma Foerderer, my executive assistant and the person who keeps my life organized, to bring me lunch: a can of tomato juice. I rarely go out, because mostly, it's a waste of time.

3:15 P.M. I put in a call to Sir Charles Goldstein; he's out, and I leave a message. He's a successful real estate attorney, but not one of my favorites.

I'm pretty sure Charlie Goldstein is from the Bronx, but he's a very pompous guy and has a tendency to act like royalty, so I call him Sir Charles. Over the weekend, I heard that Lee Iacocca had hired Sir Charles to represent him on a deal in Palm Beach where Lee and I intend to be partners. Lee had no way of knowing about my past experience with Sir Charles. A while back, I was in the middle of making a deal with a guy who needed an attorney, and I recommended Sir Charles. The next thing I knew, Sir Charles was recommending to his client that he not make the deal with me. I couldn't believe it!

This deal is to buy two condominium towers in the Palm Beach area. I own a house in Palm Beach—a spectacular place called Mar-a-Lago—and one day last winter, when I was down for the weekend, I went out to have lunch with some friends. On the way, a pair of beautiful gleaming white towers caught my eye. I made a couple of calls. It turned out they'd been built for about $120 million and a major New York bank had just foreclosed on the developers. The next thing I knew I was making a deal to buy the project for $40 million.

A mutual friend, William Fugazy, first mentioned that Lee and I should do a real estate deal together. I think Lee is an extraordinary businessman who has done wonders in turning Chrysler around, and I also like him a great deal personally. So one thing led to another and we began talking about the towers. It's a substantial investment, and I'm not certain Lee is absolutely sure yet that he wants to go forward. If that's the case, it occurs to me, he's done the perfect thing by hiring an attorney I don't like. And that's precisely what I intend to tell Sir Charles when he calls me back.

3:30 P.M. I call my sister, Maryanne Barry, to discuss a recent decision in a lawsuit we are contesting in Atlantic City. Maryanne is a federal court judge in New Jersey, and her husband, John, is a talented attorney I have used on many occasions.

"Can you believe they ruled against us?" I ask her. Maryanne is very smart, she obviously knows a lot more about the law than I do, and she's as surprised as I am. I tell her that I've arranged to have all the materials from the case sent to John immediately, because I want him to handle the appeal.

4:00 P.M. I go to our conference room to look at slides of potential Christmas decorations for the atrium in Trump Tower. The spectacular six-story marble atrium has become one of the leading tourist attractions in New York City. More than 100,000 people a week come from all over the world to see it and shop in it, and it's now a symbol of the Trump Organization. That's why I still get involved in details like what Christmas decorations we should use.

I don't like most of what I'm shown. Finally, I see a huge and magnificent gold wreath for the entrance to the building, and decide we should use just that. Sometimes—not often, but sometimes—less is more.

* * *

4:30 P.M. Nicholas Ribis, a New Jersey attorney who handled the licensing of both my Atlantic City casinos, calls to say he's about to leave for Sydney, Australia, to pursue a deal I'm considering. He tells me it's a twenty-four-hour flight, and I tell him I'm very glad he's going instead of me.

The deal, however, may be worth the trip. The government of New South Wales is in the midst of choosing a company to build and operate what they envision as the world's largest casino. We're a front-runner for the job, and Nick is going over to meet with the key government people. He tells me he'll call from Australia as soon as he has any news.

5:15 P.M. I call Henry Kanegsberg, the NBC executive in charge of choosing a new site for the network's headquarters. We've been courting NBC for more than a year, trying to get them to move to our West Side yards site—seventy-eight acres along the Hudson River that I bought a year ago and on which I've announced plans to build the world's tallest building.

I know Henry has just been shown our latest plans for the site, and I'm following up. I mention that Bloomingdale's is dying to become the anchor store in our shopping center, which will give it real prestige. I also tell him the city seems very excited about our latest plans. Then I say we expect to get our preliminary approvals in the next several months.

Kanegsberg seems enthusiastic. Before I get off, I also put in a plug for NBC's locating its offices in the world's tallest building. "Think about it," I say. "It's the ultimate symbol."

5:45 P.M. My nine-year-old son, Donny, calls to ask when I'll be home. I always take calls from my kids, no matter what I'm doing. I have two others—Ivanka, six, and Eric, three—and as they get older, being a father gets easier. I adore them all, but I've never been great at playing with toy trucks and dolls. Now, though, Donny is beginning to get interested in buildings and real estate and sports, and that's great.

I tell Donny I'll be home as soon as I can, but he insists on a time. Perhaps he's got my genes: the kid won't take no for an answer.

6:30 P.M. After several more calls, I leave the office and take the elevator upstairs to my apartment in the residential part of Trump Tower. Of course, I have a tendency to make a few more calls when I get home.

TUESDAY

9:00 A.M. I call Ivan Boesky. Boesky is an arbitrageur, but he and his wife are also the majority owners of the Beverly Hills Hotel and I've just read that he's decided to sell it. I have no idea when I call that just two weeks from now Boesky will plead guilty to insider trading, and that the real reason he's eager to sell the hotel is that he needs to raise cash fast.

My idea is to hire Steve Rubell and Ian Schrager, the creators of Studio 54 and the Palladium, to run the Beverly Hills Hotel for me. Steve's an incredible promoter, and he'd make the hotel hot as hell again. I get Boesky and tell him I'm very interested. He tells me Morgan Stanley and Company is handling the deal, and I will get a call from their people shortly.

I like Los Angeles. I spent a lot of weekends there during the 1970s, and I always stayed at the Beverly Hills. But I won't let my personal preferences affect my business judgment. Much as I like the hotel, I'm interested in it only if I can get it for a much better price than they're now asking.

9:30 A.M. Alan Greenberg calls. We've bought another 100,000 shares of Holiday, and the stock is up another point and a half. Trading is very active. I tell Alan I've heard that the top guys at Holiday are in a panic and that they're holding emergency meetings to discuss how to react to me. Alan says that he thinks Holiday will enact some kind of "poison pill" as a way of fending off any attempts I make at a hostile takeover.

Our call lasts less than two minutes. That's one thing I love about Alan: he never wastes time.

10:00 A.M. I meet with the contractors in charge of building my 2,700-space parking garage and transportation center across the street from Trump Plaza on the Boardwalk in Atlantic City. It's a $30 million job, and they're here to give me a progress report. They tell me we're on schedule and under budget.

The garage will be ready in time for Memorial Day, 1987—the biggest weekend of the year in Atlantic City—and it's going to increase our business enormously. Right now we are doing well with virtually no parking. The new lot is located at the end of the main road leading to the Boardwalk, and it's connected by a walkway to our casino. Anyone who parks in the garage funnels directly into our facility.

11:00 A.M. I meet with a top New York banker at my office. He's come to try to solicit business, and we have a general talk about deals I'm considering. It's funny what's happened: bankers now come to me, to ask if I might be interested in borrowing their money. They know a safe bet.

12:15 P.M. Norma comes in and tells me that we have to switch the Wollman Rink press conference from Thursday to Wednesday. Henry Stern, the New York City parks commissioner, has a conflict: on Thursday he is also scheduled to dedicate a new Central Park playground on the Upper West Side, underwritten by Diana Ross, the singer.

The problem is that there's no way we can move our concrete-pouring, which was why we called the press conference in the first place. But what the hell? I'll wing it and things will work out. I'm reluctant to give Henry a hard time. Last week, my security force refused to let him into Wollman without my written permission. This was taking good security a step too far. As you can imagine, Henry wasn't thrilled.

12:45 P.M. Jack Mitnik, my accountant, calls to discuss the tax implications of a deal we're doing. I ask him how bad he thinks the new federal tax law is going to be for real estate, since it eliminates a lot of current real estate write-offs.

To my surprise, Mitnik tells me he thinks the law is an overall plus for me, since much of my cash flow comes from casinos and condominiums and the top tax rate on earned income is being dropped from 50 to 32 percent. However, I still believe the law will be a disaster for the country, since it eliminates the incentives to invest and build—particularly in secondary locations, where no building will occur unless there are incentives.

1:30 P.M. I tell Norma to call John Danforth, the Republican senator from Missouri. I don't know Danforth personally, but he's one of the few senators who fought hard against the new tax bill. It's probably too late, but I just want to congratulate him on having the courage of his convictions, even though it might cost him politically.

Danforth isn't in, but his secretary says he'll call back.

1:45 P.M. Norma sees an opening between calls, and she comes in to ask me about several invitations. Dave Winfield, the New York Yankee outfielder, has asked me to be the chairman of a dinner to benefit his foundation, which fights drug abuse. I'm already chairing two dinners this month, one for United Cerebral Palsy and the other for the Police Athletic League.

I don't kid myself about why I'm asked to speak at or chair so many events. It's not because I'm such a great guy. The reason is that the people who run charities know that I've got wealthy friends and can get them to buy tables. I understand the game, and while I don't like to play it, there is no graceful way out. However, I've already hit up my friends twice this month—and there's only so many times you can ask people to donate $10,000 for a table. I tell Norma to turn Winfield down, with regrets.

The other invitation is from the Young President's Organization, asking me to speak at a dinner they're having. YPO admits businessmen under the age of forty who are chief executives of their companies. I turned forty two months ago, so in their eyes, I guess I now qualify as an elder statesman.

Norma also asks me about a half dozen party invitations. I say yes to two One is being given by Alice Mason, the real estate broker who has managed to turn herself into a major socialite by getting the hottest people to come to her parties. The other is a reception for two wonderful people, Barbara Walters of ABC and Merv Adelson, the head of Lorimar-Telepictures, who were married a few months ago in California.

Frankly, I'm not too big on parties, because I can't stand small talk. Unfortunately, they're part of doing business, so I find myself going to more than I'd like—and then trying hard to leave early. A few, fortunately, I enjoy. But more often I will accept an invitation many months in advance, thinking the date is so far off that it will never arrive. When it does, I get mad at myself for having accepted in the first place. By then it's usually too late to pull out.

2:00 P.M. I get an idea and call Alan Greenberg again. My idea is based on the fact that if I make a takeover move against Holiday, I have to get licensed as a casino operator in Nevada, where Holiday owns two casinos. "What do you think," I ask him, "about just selling out Holiday shares right now, taking a profit, and then rethinking a takeover bid after I get licensed?"

Alan argues for holding tight with what we've got. I say okay, for now. I like to keep as many options open as I can.

2:15 P.M. John Danforth calls back. We have a nice talk, and I tell him to keep up the good work.

2:30 P.M. I return a call from one of the owners of the Dunes Hotel in Las Vegas. They also own perhaps the best undeveloped site on the Vegas strip. For the right price, I'd consider buying it.

I like the casino business. I like the scale, which is huge, I like the glamour, and most of all, I like the cash flow. If you know what you are doing and you run your operation reasonably well, you can make a very nice profit. If you run it very well, you can make a ton of money.

2:45 P.M. My brother, Robert, and Harvey Freeman, both executive vice presidents in my company, stop by to report on a meeting they've had that day with Con Edison and executives from NBC about the West Side yards project. Con Ed has a large smokestack on the southern end of the site, and the meeting was to discuss whether the fumes from the stack would dissipate as effectively if a large building goes up adjacent to it.

Robert, who is two years younger than I am, is soft-spoken and easygoing, but he's very talented and effective. I think it must be hard to have me for a brother, but he's never said anything about it and we're very close. He is definitely the only guy in my life whom I ever call "honey."

Robert gets along with almost everyone, which is great for me, since I sometimes have to be the bad guy. Harvey is a different type: no-nonsense, not too big on laughs, but he's got an absolutely brilliant analytic mind.

The Con Ed people, I'm happy to hear, told the NBC executives that there is no reason to believe the presence of the NBC building will affect the smokestack. Unfortunately, Con Ed won't be the last word. Before we can get our approvals, we'll have to get an independent environmental-impact statement.

3:15 P.M. I call Herbert Sturz of the City Planning Commission, which will be the first city agency to approve or disapprove our latest plan for the West Side yards. Sturz and his people are scheduled to have a preliminary look on Friday.

He isn't in, so I leave a message with his secretary. I just say I'm looking forward to seeing him Friday morning.

3:20 P.M. Gerald Schrager calls. Jerry's a top attorney at Dreyer & Traub, one of the best real estate firms in the country, and he's handled nearly every one of my major deals since I bought the Commodore Hotel back in 1974. Jerry is more than an attorney. He's an absolute business machine, and he can see through to the essence of a deal as fast as anyone I know.

We talk about the Holiday Inns situation and several other deals that are in various stages. Like Alan Greenberg, Schrager isn't big on wasting time. We cover a half dozen subjects in less than ten minutes.

3:30 P.M. My wife, Ivana, stops in to say good-bye. She's on her way to Atlantic City, by helicopter. I like to kid her that she works harder than I do. Last year, when I bought my second casino from the Hilton Corporation and renamed it Trump's Castle, I decided to put Ivana in charge. She's incredibly good at anything she's ever done, a natural manager.

Ivana grew up in Czechoslovakia, an only child. Her father was an electrical engineer and a very good athlete, and he started Ivana skiing very early. By the age of six she was winning medals, and in 1972 she was an alternate on the Czechoslovakian ski team at the Sapporo Winter Olympics. A year later, after graduating from Charles University in Prague, she moved to Montreal and very quickly became one of the top models in Canada.

We met at the Montreal Summer Olympic Games in August 1976. I'd dated a lot of different women by then, but I'd never gotten seriously involved with any of them. Ivana wasn't someone you dated casually. Ten months later, in April 1977, we were married. Almost immediately, I gave her responsibility for the interior decorating on the projects I had under way. She did a great job.

Ivana may be the most organized person I know. In addition to raising three children, she runs our three homes—the apartment in Trump Tower, Mar-a-Lago, and our home in Greenwich, Connecticut—and now she also manages Trump's Castle, which has approximately 4,000 employees.

The Castle is doing great, but I still give Ivana a hard time about the fact that it's not yet number one. I tell her she's got the biggest facility in town, so by all rights it should be the most profitable. Ivana is almost as competitive as I am and she insists she's at a disadvantage with the Castle. She says she needs more suites. She isn't concerned that building the suites will cost $40 million. All she knows is that not having them is hurting her business and making it tougher for her to be number one. I'll say this much: I wouldn't bet against her.

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3:45 P.M. The executive vice president for marketing at the Cadillac Division of General Motors is on the phone. He's calling at the suggestion of his boss, John Gretenberger, the president of the Cadillac Motors Division whom I know from Palm Beach. Cadillac, it turns out, is interested in cooperating in the production of a new superstretch limousine that would be named the Trump Golden Series. I like the idea. We set a date to sit down and talk in two weeks.

4:00 P.M. Daniel Lee, a casino analyst for Drexel Burnham Lambert, stops by with several of his colleagues to discuss being my investment bankers on a deal to purchase a hotel company.

Michael Milken, the guy who invented junk-bond financing at Drexel, has called me regularly for the last several years to try to get me to bring my business to Drexel. I have no idea that Drexel is about to get enmeshed in the insider-trading scandal that will soon rock Wall Street. In any case, I happen to think Mike's a brilliant guy. However, Alan Greenberg is exceptional himself, and I'm loyal to people who've done good work for me.

I hear Lee and his guys out on their deal, but in truth, it doesn't excite me much. We leave it that I'll get back to them.

5:00 P.M. Larry Csonka, former running back for the Miami Dolphins, calls. He has an idea for keeping the USFL alive. He wants to merge it with the Canadian Football League. Larry's both a bright and a nice guy, and he's very enthusiastic, but he doesn't convince me. If the USFL couldn't get off the ground with players like Herschel Walker and Jim Kelly, how is Canadian football, with a lot of players nobody has heard of, going to help? We've got to win in the courts first, to break up the NFL monopoly.

5:30 P.M. I call Calvin Klein, the designer, to congratulate him. Back when Trump Tower first opened, Klein took a full floor of offices for his new perfume line, Obsession. It did so well that within a year, he expanded to a second floor. Now he's doing better than ever, and so he's taking over a third floor.

I have a lot of admiration for Calvin, and I tell him so. He's a very talented designer, but he's also a very good salesman and businessman—and it's the combination of those qualities that makes him so successful.

6:00 P.M. I draft a letter to Paul Goldberger, architecture critic of the *New York Times*. A week ago, in a Sunday column, Goldberger gave a great review to the design of Battery Park City, the new development in lower Manhattan. He also called it "a stunning contrast" to what he claimed we're doing with the Television City project at the West Side yards. In other words, he killed us.

There's just one catch: we're in the middle of designing our project with new architects and concepts, and nobody—including Goldberger—has seen our new plan. He was knocking a design he hadn't even looked at yet.

"Dear Paul," I write. "Your recent article is an obvious 'setup' in preparation for the negative review you intend to do on Television City—no matter how great it is. Just think, if you are negative enough (which I am sure you will be) you might even help convince NBC to move to New Jersey."

My people keep telling me I shouldn't write letters like this to critics. The way I see it, critics get to say what they want to about my work, so why shouldn't I be able to say what I want to about theirs?

WEDNESDAY

9:00 A.M. I go with Ivana to look at a private school for my daughter. If you had told me five years ago that I'd be spending mornings looking at kindergarten classrooms, I would have laughed.

11:00 A.M. I have a press conference for the Wollman Rink. When I get there, I'm amazed. There are at least twenty reporters and photographers milling around.

Henry Stern, the parks commissioner, goes to the microphone first and he is very complimentary to me. He says that if the city had tried to undertake the current renovation by itself, "we would now be awaiting Board of Estimate approval for what Donald Trump has already done."

When it's my turn, I explain that we've laid twenty-two miles of pipes, that they've all been thoroughly tested and there are no leaks, that the project is ahead of schedule by at least a month, and under budget by about $400,000. I also announce that we've set a grand opening for November 13—and that we have a show planned for that day which will include most of the world's great skaters.

After I finish, the reporters ask a million questions. Finally Henry and I step down into the rink. If we can't have a real concrete-pouring, at least we'll have a ceremonial one. A couple of workmen pull over a wheelbarrow full of wet concrete and point it down toward us. Henry and I shovel some concrete onto the pipes while the photographers click away.

As many times as I've done these things, I have to say I still find them a little ridiculous. Think of it: a couple of guys in pinstripe suits shoveling wet concrete. But I like to be accommodating. As long as they want to shoot, I'll shovel.

12:45 P.M. The minute I get back to my office, I start returning calls. I want to get as much done as I can now, because I have to leave early for Trenton, to attend a retirement dinner for a member of the New Jersey Casino Control Commission.

The first person I call back is Arthur Barron, the president of Gulf & Western's entertainment group, which includes Paramount Pictures. Martin Davis, the chairman of G&W, has been my friend for a long time, and Barron apparently called in response to a letter I wrote to Marty two weeks ago. In the letter I explained to Marty that I'd recently purchased a fantastic site and was in the midst of designing a building with eight motion picture theaters at its base, and I wondered if he might be interested in making a deal for them.

"As you are aware," I wrote, "there is no one I would rather do business with than Marty Davis."

That happened to be true, for Martin Davis is a truly talented man, but there are also a dozen other companies who would kill to have eight theaters in a top location. In other words, if I can't make a deal I like with Marty, I've got a lot of other options.

As I anticipated, when I get Art Barron on the phone, he wants to set up a meeting to discuss the theaters. We make a date for the following week.

1:30 P.M. I return a call from Arthur Sonnenblick, one of the city's leading brokers. Three weeks ago, Arthur called to say he had some foreign clients who were interested in buying the West Side yards. He wouldn't tell me their names, but he said they were serious people, and they were prepared to make me a very substantial offer for the site—far more than the $100 million I paid a year ago.

I didn't get too excited. On the contrary, I say to Arthur, "The bid sounds low. If you can get them higher, I might be interested." Now Arthur's calling to give me a status report.

The truth is, I really don't want to sell the yards at any price. To me, those one hundred acres overlooking the Hudson River are the best undeveloped real estate site in the world. On the other hand, I don't want to rule out anything. Arthur tells me his clients are still very interested, that they may come up a little, but he doubts they'll go much higher. "Keep pushing," I tell him.

2:00 P.M. The contractor who's building my pool at Mar-a-Lago is on the phone. I'm busy, but I take the call anyway. We're going to great lengths to build a pool in keeping with the original design of the house, and I want to make sure every detail is right.

Buying Mar-a-Lago was a great deal even though I bought it to live in, not as a real estate investment. Mar-a-Lago was built in the early 1920s by Marjorie Merriweather Post, the heiress to the Post cereal fortune and, at the time, Mrs. Edward F. Hutton. Set on twenty acres that face both the Atlantic Ocean and Lake Worth, the house took four years to build and has 118 rooms. Three boatloads of Dorian stone were brought from Italy for the exterior walls, and 36,000 Spanish tiles dating back to the fifteenth century were used on the exterior and the interior.

When Mrs. Post died she gave the house to the federal government for use as a presidential retreat. The government eventually gave the house back to the Post Foundation, and the foundation put it up for sale at an asking price of $25 million. I first looked at Mar-a-Lago while vacationing in Palm Beach in 1982. Almost immediately I put in a bid of $15 million, and it was promptly rejected. Over the next few years, the foundation signed contracts with several other buyers at higher prices than I'd offered, only to have them fall through before closing. Each time that happened, I put in another bid, but always at a lower sum than before.

Finally, in late 1985, I put in a cash offer of $5 million, plus another $3 million for the furnishings in the house. Apparently, the foundation was tired of broken deals. They accepted my offer, and we closed one month later. The day the deal was announced, the Palm Beach *Daily News* ran a huge front-page story with the headline MAR-A-LAGO'S BARGAIN PRICE ROCKS COMMUNITY.

Soon, several far more modest estates on property a fraction of Mar-a-Lago's size sold for prices in excess of $18 million. I've been told that the furnishings in Mar-a-Lago alone are worth more than I paid for the house. It just goes to show that it pays to move quickly and decisively when the time is right. Upkeep of Mar-a-Lago, of course, isn't cheap. For what it costs each year, you could buy a beautiful home almost anywhere else in America.

All of which is a long way of explaining why I take this call from the pool contractor. He has a small question about the matching of the Dorian stone we're using for the decking and I care about every detail when it comes to Mar-a-Lago. The call takes two minutes, but it will probably save two days of work—and ensure that the job doesn't have to be ripped out and done over later.

2:30 P.M. A prominent businessman who does a lot of business with the Soviet Union calls to keep me posted on a construction project I'm interested in undertaking in Moscow. The idea got off the ground after I sat next to the Soviet ambassador, Yuri Dubinin, at a luncheon held by Leonard Lauder, a great businessman who is the son of Estée Lauder. Dubinin's daughter, it turned out, had read about Trump Tower and knew all about it. One thing led to another, and now I'm talking about building a large luxury hotel, across the street from the Kremlin, in partnership with the Soviet government. They have asked me to go to Moscow in July.

3:00 P.M. Robert stops in, and we talk about several issues relating to NBC and the West Side yards.

3:30 P.M. A friend from Texas calls, to tell me about a deal he's got working. He happens to be a very charming guy—wonderful looking, wonderfully dressed, with one of those great

Texas drawls that make you feel very comfortable. He calls me Donny, a name that I hate, but which he says in a way that somehow makes it okay.

Two years ago, this same friend called me about another deal. He was trying to put together a group of wealthy people to take over a small oil company. "Donny," he said, "I want you to invest fifty million. This is a no-lose proposition. You'll double or triple your money in a matter of months." He gave me all the details, and it sounded very good. I was all set to go forward. The papers were being drawn up, and then one morning I woke up and it just didn't feel right.

I called my friend back and I said, "Listen, there's something about this that bothers me. Maybe it's that oil is underground, and I can't see it, or maybe it's that there's nothing creative about it. In any case, I just don't want to go in." And he said, "Okay, Donny, it's up to you, but you're missing a great opportunity." The rest is history, of course. Oil went completely to hell several months later, the company his group bought went bankrupt, and his investors lost every dime they put up.

That experience taught me a few things. One is to listen to your gut, no matter how good something sounds on paper. The second is that you're generally better off sticking with what you know. And the third is that sometimes your best investments are the ones you don't make.

Because I held back, I saved $50 million and the two of us have remained friends. As a result, I don't want to reject him outright on his new deal. Instead, I tell him to send up the papers. In reality, I'm not too likely to get involved.

4:00 P.M. I call back Judith Krantz. You've got to give it to her: how many authors have written three number-one best-selling books in a row? She also happens to be a very nice woman. Trump Tower is the setting for her latest novel, *I'll Take Manhattan*, and I'm a character in the book. At Judy's request, I agreed to play the role of myself in a scene from the miniseries based on her book, and filmed at Trump Tower.

Now Judy is calling to say that the scene, with Valerie Bertinelli, came off well. I'm happy to hear it, although I'm not about to quit my day job. Still, I figure it's not a bad way to promote Trump Tower—on national television, in a miniseries that runs during sweeps week and is virtually guaranteed to get huge national ratings.

4:30 P.M. My last call is to Paul Hallingby, a partner at Bear Stearns who handled the $550 million in bond issues we did successfully for our two casinos in Atlantic City during 1985.

Now we're talking about setting up something called the Trump Fund, through which we'd buy distressed and foreclosed real estate, particularly in the Southwest, at bargain-basement prices.

Hallingby tells me that he's putting together a prospectus, and that he's confident we'll easily be able to raise $500 million in a public offering. What I like about the deal is that I'd retain a large equity position in any purchase we made, but I wouldn't be at any personal risk, in the event that any of the deals went bad. What I don't like is the idea of competing with myself. What happens, for example, if I see a piece of distressed property that I want to buy on my own but that might also be good for the fund?

In any case, I'll look at the prospectus.

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5:00 P.M. I'm driven to the 60th Street heliport, in time to catch a helicopter and be in Trenton for cocktails at 5:30 P.M.

THURSDAY

9:00 A.M. I sit down with Abe Hirschfeld. Basically, Abe feels hurt that Governor Cuomo personally led a fight to push him off the ballot. I tell Abe I understand how he feels, but that the governor is a good guy, and that in any event it would look ridiculous for Abe, who is a Democrat, to suddenly turn around now and endorse a Republican. I also point out that as a practical matter, Cuomo is going to win re-election by a landslide, and that it's a lot better to side with a winner than a loser.

Abe is a pretty stubborn guy, but finally he says, "Look, why don't you get the governor to call me?" I tell him I'll do my best. Abe has always been considered difficult. But I like him and his family a lot.

10:15 A.M. Alan Greenberg calls. The market is down 25 points less than an hour after opening. Alan tells me everyone's a seller, that nearly all stocks are down, but that Holiday is holding firm. I can't decide whether I should be happy or sad. Part of me wants Holiday to drop off, so I can buy more at a better price. The other part of me wants it to go up, because at this point, every time the stock rises a point, I make a lot of easy money.

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10:30 A.M. Harvey Myerson, the attorney who handled our USFL antitrust case, comes in for a meeting. Harvey is an incredible trial lawyer. He took a case in which no one gave us a prayer going in, and he managed to win on antitrust grounds, even though we were awarded only token damages.

Even so, I've wondered, since the trial, whether perhaps Harvey was just a little too sharp for some of the jurors. Every day he'd show up in one of his beautiful pinstripe suits, with a little handkerchief in his pocket, and I'm just not sure how well that went over.

Overall, I think he did as good a job as anyone could, and I still believe he's our best hope on the appeal. One thing I like about Harvey is his enthusiasm. He's still absolutely convinced he's going to win the appeal.

11:30 A.M. Stephen Hyde calls. After I bought out Holiday Inns' interest in the Trump Plaza Hotel and Casino in Atlantic City and took over the management in June, I hired Steve to run the facility. Steve had been working as a vice president for Stephen A. Wynn at the Golden Nugget. Wynn is one of the best gaming guys around, and my philosophy is always to hire the best from the best. After a long-running negotiation, I offered Hyde a bigger job and more money, and he said yes. I think he also liked the idea of working for me, and he didn't mind leaving Steve Wynn.

Wynn is very slick and smooth, but he's also a very strange guy. A couple of weeks ago, he called and said, "Donald, I just wanted to let you know that my wife and I are getting divorced." So I said, "Oh, I'm sorry to hear that, Steve." He said, "Oh, don't be sorry, it's great, we're still in love, it's just that we don't want to be married anymore. In fact, she's right here with me. Do you want to say hello?" I politely declined.

Hyde is calling to report on the August figures for the Plaza, which just came in. He tells me that gross operating profit was just over $9,038,000 compared with $3,438,000 for the same period a year ago, when I was still partners with Holiday Inns, and they were managing the facility.

"Not too bad," I say to Steve, "considering we still don't have any parking." Still, I can't resist razzing him a little: "Now all you've got to do is get the hotel in mint condition." I'm a stickler for cleanliness, and last time I visited the hotel, I wasn't totally happy.

"We're working on it, Donald," Steve says good-naturedly. "It's already improving."

12:00 noon I walk over to the Wollman Rink, to watch the pouring of the concrete. This morning all of the papers had stories about our press conference.

When I get to the rink, it's surrounded by a convoy of cement trucks lined up as if they're in a military operation. HRH, the construction company in charge of the project, has done a fantastic job moving things along, but this has to be the most incredible sight yet: thousands of pounds of wet concrete being poured from truck after truck into this huge rink. It's like watching the world's biggest cake get iced.

Even though the press conference was yesterday, I notice photographers and camera crews all over the place. This is the event everyone was waiting for.

1:30 P.M. I sit down with a reporter from *Fortune* who is doing a story about real estate and the new tax laws—with me on the cover. Contrary to what a lot of people think, I don't enjoy doing press. I've been asked the same questions a million times now, and I don't particularly like talking about my personal life. Nonetheless, I understand that getting press can be very helpful in making deals, and I don't mind talking about them. I just try to be very selective. Norma must turn down twenty requests a week from all over the world. Also, when I do give an interview, I always keep it short. This reporter is in and out in less than twenty minutes. If I didn't limit myself, I could spend my life talking to the press.

2:45 P.M. A friend of mine, a highly successful and very well known painter, calls to say hello and to invite me to an opening. I get a great kick out of this guy because, unlike some artists I've met, he's totally unpretentious.

A few months back he invited me to come to his studio. We were standing around talking, when all of a sudden he said to me, "Do you want to see me earn twenty-five thousand dollars before lunch?" "Sure," I said, having no idea what he meant. He picked up a large open bucket of paint and splashed some on a piece of canvas stretched on the floor. Then he picked up another bucket, containing a different color, and splashed some of that on the canvas. He did this four times, and it took him perhaps two minutes. When he was done, he turned to me and said, "Well, that's it. I've just earned twenty-five thousand dollars. Let's go to lunch."

He was smiling, but he was also absolutely serious. His point was that plenty of collectors wouldn't know the difference between his two-minute art and the paintings he really cares about. They were just interested in buying his name.

I've always felt that a lot of modern art is a con, and that the most successful painters are often better salesmen and promoters than they are artists. I sometimes wonder what would happen if collectors knew what I knew about my friend's work that afternoon. The art world is so ridiculous that the revelation might even make his paintings *more* valuable! Not that my friend is about to risk finding out.

4:00 P.M. A group of us meet in our conference room to go over the latest plans for the West Side yards project, which we're scheduled to show to the city tomorrow morning. It turns out that Herb Sturz of the planning commission won't be able to attend, but his key people will be there.

There are perhaps fifteen people at this meeting, including Robert and Harvey Freeman, and Alexander Cooper and his team. Alex is the architect-city planner I hired two months ago to take over the design of the project, after it became clear that my original architect, Helmut Jahn, just wasn't making it with the city. I don't know if the reason was his Germanic style, or the fact that he is based in Chicago rather than New York, or just that he's a little too slick. I do know that he wasn't getting anywhere with the City Planning Commission.

Alex, by contrast, was formerly a city planner himself and he's almost a legend in that office. He's also the guy who designed Battery Park City, which has gotten great press. Politically, he's a much better choice than Helmut Jahn, and I'm a very practical guy.

We've been meeting like this every week for the past couple of months to hash out a broad plan, including where to locate the residential buildings, the streets, the parks, and the shopping mall. Today Alex has brought preliminary drawings of the layout we've agreed on. At the southern end are the prospective NBC studios, adjacent to the world's tallest building. Then, heading north, there are the residential buildings, facing east over a boulevard, and west over a huge eight-block-long shopping mall and out at the river. Every apartment has a great view, which I believe is critical.

I am very happy with the new layout, and Alex seems happy too. I happen to think that tall buildings are what will make this project special, but I'm not naïve about zoning. Eventually, I know, we're going to have to make some concessions. On the other hand, if the city won't approve something I think makes sense economically, I'll just wait for the next administration and try again. This site is only going to get more valuable.

6:00 P.M. I excuse myself, because I am due at an early dinner, and it's not the kind to be late for. Ivana and I have been invited, by John Cardinal O'Connor, to have dinner at St. Patrick's Cathedral.

7:00 P.M. No matter whom you've met over the years, there is something incredible about sitting down to dinner with the cardinal and a half dozen of his top bishops and priests in a private dining room at St. Patrick's Cathedral. It's hard not to be a little awed.

We talk about politics, the city, real estate, and a half dozen other subjects, and it's a fascinating evening. As we leave, I tell Ivana how impressed I am with the cardinal. He's not only a man of great warmth, he's also a businessman with great political instincts.

FRIDAY

6:30 A.M. I'm leafing through the *New York Times* when I come to a huge picture of the concrete being poured onto Wollman Rink. It's on the front page of the second section. This story just won't quit.

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9:15 A.M. We meet with the city on the West Side yards project. Almost everyone from yesterday's meeting is there, and we are joined by four city planners, including Rebecca Robinson and Con Howe, who are directly in charge of evaluating our project.

Alex does the presentation, and he's very good. Mostly he emphasizes the things we know the city is going to like—the public parks, the easy access to the waterfront, the ways we've devised to move traffic in and out. The only time the density issue comes up—how tall the buildings will be—Alex just says we're still working it out.

When it's over, we all agree it went very well.

10:30 A.M. I go back to my office for a meeting to discuss progress on construction at Trump Parc, the condominium I'm building out of the steel shell of the Barbizon-Plaza Hotel on Central Park South. It's an incredible location, and the building we're redoing will be a great success.

The meeting includes Frank Williams, my architect on the project, Andrew Weiss, the project manager, and Blanche Sprague, an executive vice president, who is in charge of sales. Frank, who is very soft-spoken, is a fine architect. Blanchette—my nickname for her—is a classic. She's got a mouth that won't quit, which is probably why she's so good at sales. I like to tell her that she must be a very tough woman to live with. The truth is I get a great kick out of her.

We start by talking about what color to use on the frames of the windows. Details like these make all the difference in the look and ambience of a building. After almost a half hour, we finally agree on a light beige that will blend right into the color of the stone. I happen to like earth tones. They are richer and more elegant than primary colors.

11:00 A.M. Frank Williams leaves, and we turn to a discussion of the demolition work at Trump Parc. Andy tells me it's not finished, and that the contractor has just given us a $175,000 bill for "extras." Extras are the costs a contractor adds to his original bid every time you request any change in the plan you initially agreed on. You have to be very rough and very tough with most contractors or they'll take the shirt right off your back.

I pick up the phone and dial the guy in charge of demolition at Trump Parc. "Steve," I say when I get him, "this is Donald Trump. Listen, you've got to get your ass moving and get finished. You're behind. I want you to get personally involved in this." He starts to give me explanations but I cut him off. "I don't want to know. I just want you to get the job done and get out. And listen, Steve, you're killing me on these extras. I don't want you to deal with Andy anymore on the extras. I want you to deal with me personally. If you try screwing me on this job, you won't be getting a second chance. I'll never hire you again."

My second concern is the laying of floors. I ask Andy for the number of our concrete guy. "Okay," I say, only half joking, "I'm going to take my life in my hands now." Concrete guys can be extremely rough. I get the number-two guy on the line. "Look," I say to him, "your boss wanted this contract very badly. I was set to give it to someone else, but he told me he'd do a great job. I walked the site yesterday, and the patches you're making aren't level with the existing concrete. In some places, they're as much as a quarter-inch off."

The guy doesn't have any response, so I keep talking. "Nobody has the potential to give you more work in the future than Trump. I'm going to be building when everyone else has gone bust. So do me a favor. Get this thing done right."

This time the guy has a response. "Every guy on the job is a pro," he says. "We've given you our best men, Mr. Trump."

"Good," I say. "Call me later and let me know how you're doing."

12:00 noon Alan Greenberg calls to tell me that Holiday has gone ahead and enacted some "poison pill" provisions that will weigh the company down with debt and make it much less attractive as a takeover target. I'm not worried. No poison pill is going to keep me from going after Holiday Inn, if that's what I decide I want to do.

The market is still taking a drubbing. It was off 80 points yesterday, and it's down another 25 today. But Holiday is off only a point. Alan tells me that we've now bought almost 5 percent of the company.

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12:15 P.M. Blanche stays on after Andy leaves to get me to choose a print advertisement for Trump Parc She shows me a half dozen choices, and I don't like any of them. She is furious.

Blanche wants to use a line drawing that shows the building and its panoramic views of Central Park. "I like the idea of a line drawing," I tell her. "But I don't like these. Also, I want a drawing that shows more of the building. Central Park is great, but in the end I'm not selling a park, I'm selling a building and apartments."

12:30 P.M. Norma comes in, carrying a huge pile of forms I have to sign as part of my application for a Nevada gaming license. While I'm signing, Norma asks who I want to use as character references. I think for a minute, and tell her to put down General Pete Dawkins, a great Army football hero, a terrific guy, and a good friend who's now an investment banker at Shearson; Benjamin Hollaway, chairman and CEO of Equitable Real Estate Group; and Conrad Stephenson of Chase Manhattan Bank.

"Also," I tell Norma, "put down John Cardinal O'Connor."

12:45 P.M. Ivana rings. She's in the office and wants me to go with her to see another school we're considering sending our daughter to next fall. "Come on, Donald," she says. "You haven't got anything else to do." Sometimes I think she really believes it.

“Actually, honey, I’m a little busy right now,” I tell her. It doesn’t work. Three minutes later she’s in my office, tugging at my sleeve. I finish signing the forms, and we go.

2:30 P.M. Bill Fugazy calls. I like to call him Willie the Fug, but he doesn’t seem to appreciate it. Fugazy’s business is limousines, but he really should have been a broker. The guy knows everyone. He’s one of Lee Iacocca’s best friends, and he’s the person who recommended to the cardinal that he meet with me to discuss real estate and get to know each other better.

Fugazy asks me how dinner went last night at St. Pat’s and I tell him it was great. Before we hang up, we set a golf date for the weekend.

2:45 P.M. John D’Alessio, the construction manager on my triplex in Trump Tower, comes by to discuss the progress. He is carrying drawings. Except for the third floor, where the kids are, and the roof, where someday I’m going to build a park sixty-eight stories up, I’ve gutted the whole apartment. In truth, I’ve gone a little overboard. First of all, I practically doubled the size of what I have by taking over the adjacent apartment. What I’m doing is about as close as you’re going to get, in the twentieth century, to the quality of Versailles. Everything is made to order. For example, we had the finest craftsmen in Italy hand-carve twenty-seven solid marble columns for the living room. They arrived yesterday, and they’re beautiful. I can afford the finest workmanship, and when it comes to my own apartment, I figure, why spare any expense? I want the best, whatever it takes.

I look over the drawings with John and mark up a few changes. Then I ask him how the job is going. “Not bad,” he said. “We’re getting there.”

“Well, push, John,” I say. “Push hard.”

3:30 P.M. A Greek shipping magnate is on the line. “How’s the shipping business?” I ask. He tells me he has a deal he’d like to discuss. He doesn’t say what it is, but with certain people you don’t ask. If it wasn’t big, I assume he wouldn’t waste my time. We set a date.

4:00 P.M. I get a call from a guy who sells and leases corporate airplanes. I’ve been considering buying a G-4, the jet that most corporations use. I tell the guy on the phone that I’m still interested in a plane, but that he should keep his eye out for a 727, which is what I really want.

4:30 P.M. Nick Ribis calls from Australia. He tells me things are going very well on our negotiations to be designated builder and operator of the world’s largest casino. Nick fills me in on the details and says that we should know more by the following Monday. “Sounds great,” I tell him. “Call me before you fly back.”

4:45 P.M. Norma tells me that David Letterman, the talk-show host, is downstairs in the atrium of Trump Tower, filming a day in the life of two out-of-town tourists. He’d like to know if they could stop up and say hello.

I almost never stay up late enough to watch Letterman, but I know he’s hot. I say sure. Five minutes later, Letterman walks in, along with a cameraman, a couple of assistants, and a very nice-looking married couple from Louisville. We kid around a little, and I say what a great town I think Louisville is—maybe we should all go in together on a deal there. Letterman asks me how much an apartment goes for in Trump Tower. I tell him that he might be able to pick up a one-bedroom for $1 million.

"Tell me the truth," Letterman says after a few minutes of bantering. "It's Friday afternoon, you get a call from us out of the blue, you tell us we can come up. Now you're standing here talking to us. You must not have much to do."

"Truthfully, David," I say, "you're right. Absolutely nothing to do."

2
TRUMP CARDS

The Elements of the Deal

MY STYLE of deal-making is quite simple and straightforward. I aim very high, and then I just keep pushing and pushing and pushing to get what I'm after. Sometimes I settle for less than I sought, but in most cases I still end up with what I want.

More than anything else, I think deal-making is an ability you're born with. It's in the genes. I don't say that egotistically. It's not about being brilliant. It does take a certain intelligence, but mostly it's about instincts. You can take the smartest kid at Wharton, the one who gets straight A's and has a 170 IQ, and if he doesn't have the instincts, he'll never be a successful entrepreneur.

Moreover, most people who do have the instincts will never recognize that they do, because they don't have the courage or the good fortune to discover their potential. Somewhere out there are a few men with more innate talent at golf than Jack Nicklaus, or women with greater ability at tennis than Chris Evert or Martina Navratilova, but they will never lift a club or swing a racket and therefore will never find out how great they could have been. Instead, they'll be content to sit and watch stars perform on television.

When I look back at the deals I've made—and the ones I've lost or let pass—I see certain common elements. But unlike the real estate evangelists you see all over television these days, I can't promise you that by following the precepts I'm about to offer you'll become a millionaire overnight. Unfortunately, life rarely works that way, and most people who try to get rich quick end up going broke instead. As for those among you who do have the genes, who do have the instincts, and who could be highly successful, well, I still hope you won't follow my advice. Because that would just make it a much tougher world for me.

Think Big

I like thinking big. I always have. To me it's very simple: if you're going to be thinking anyway, you might as well think big. Most people think small, because most people are afraid of success, afraid of making decisions, afraid of winning. And that gives people like me a great advantage.

My father built low-income and middle-income buildings in Brooklyn and Queens, but even then, I gravitated to the best location. When I was working in Queens, I always wanted Forest Hills. And as I grew older, and perhaps wiser, I realized that Forest Hills was great, but Forest Hills isn't Fifth Avenue. And so I began to look toward Manhattan, because at a very early age, I had a true sense of what I wanted to do.

I wasn't satisfied just to earn a good living. I was looking to make a statement. I was out to build something monumental—something worth a big effort. Plenty of other people could buy and sell little brownstones, or build cookie-cutter red-brick buildings. What attracted me was the challenge of building a spectacular development on almost one hundred acres by the river on the West Side of Manhattan, or creating a huge new hotel next to Grand Central Station at Park Avenue and 42nd Street.

The same sort of challenge is what attracted me to Atlantic City. It's nice to build a successful hotel. It's a lot better to build a hotel attached to a huge casino that can earn fifty times what you'd ever earn renting hotel rooms. You're talking a whole different order of magnitude.

One of the keys to thinking big is total focus. I think of it almost as a controlled neurosis, which is a quality I've noticed in many highly successful entrepreneurs. They're obsessive, they're driven, they're single-minded and sometimes they're almost maniacal, but it's all channeled into their work. Where other people are paralyzed by neurosis, the people I'm talking about are actually helped by it.

I don't say this trait leads to a happier life, or a better life, but it's great when it comes to getting what you want. This is particularly true in New York real estate, where you are dealing with some of the sharpest, toughest, and most vicious people in the world. I happen to love to go up against these guys, and I love to beat them.

Protect the Downside and the Upside Will Take Care of Itself

People think I'm a gambler. I've never gambled in my life. To me, a gambler is someone who plays slot machines. I prefer to own slot machines. It's a very good business being the house.

It's been said that I believe in the power of positive thinking. In fact, I believe in the power of negative thinking. I happen to be very conservative in business. I always go into the deal anticipating the worst. If you plan for the worst—if you can live with the worst—the good will always take care of itself. The only time in my life I didn't follow that rule was with the USFL. I bought a losing team in a losing league on a long shot. It almost worked, through our antitrust suit, but when it didn't, I had no fallback. The point is that you can't be too greedy. If you go for a home run on every pitch, you're also going to strike out a lot. I try never to leave myself too exposed, even if it means sometimes settling for a triple, a double, or even, on rare occasions, a single.

One of the best examples I can give is my experience in Atlantic City. Several years ago, I managed to piece together an incredible site on the Boardwalk. The individual deals I made for parcels were contingent on my being able to put together the whole site. Until I achieved that, I didn't have to put up very much money at all.

Once I assembled the site, I didn't rush to start construction. That meant I had to pay the carrying charges for a longer period, but before I spent hundreds of millions of dollars and several years on construction, I wanted to make sure I got my gaming license. I lost time, but I also kept my exposure much lower.

When I got my licensing on the Boardwalk site, Holiday Inns came along and offered to be my partner. Some people said, “You don’t need them. Why give up fifty percent of your profits?” But Holiday Inns also offered to pay back the money I already had in the deal, to finance all the construction, and to guarantee me against losses for five years. My choice was whether to keep all the risk myself, and own 100 percent of the casino, or settle for a 50 percent stake without putting up a dime. It was an easy decision.

Barron Hilton, by contrast, took a bolder approach when he built his casino in Atlantic City. In order to get opened as quickly as possible, he filed for a license and began construction on a $400 million facility at the same time. But then, two months before the hotel was scheduled to open, Hilton was denied a license. He ended up selling to me at the last minute, under a lot of pressure, and without a lot of other options. I renamed the facility Trump’s Castle and it is now one of the most successful hotel-casinos anywhere in the world.

Maximize Your Options

I also protect myself by being flexible. I never get too attached to one deal or one approach. For starters, I keep a lot of balls in the air, because most deals fall out, no matter how promising they seem at first. In addition, once I’ve made a deal, I always come up with at least a half dozen approaches to making it work, because anything can happen, even to the best-laid plans.

For example, if I hadn’t gotten the approvals I wanted for Trump Tower, I could always have built an office tower and done just fine. If I’d been turned down for licensing in Atlantic City, I could have sold the site I’d assembled to another casino operator, at a good profit.

Perhaps the best example I can give is the first deal I made in Manhattan. I got an option to purchase the Penn Central railyards at West 34th Street. My original proposal was to build middle-income housing on the site, with government financing. Unfortunately, the city began to have financial problems, and money for public housing suddenly dried up. I didn’t spend a lot of time feeling sorry for myself. Instead, I switched to my second option and began promoting the site as ideal for a convention center. It took two years of pushing and promoting, but ultimately the city did designate my site for the convention center—and that’s where it was built.

Of course, if they hadn’t chosen my site, I would have come up with a third approach.

Know Your Market

Some people have a sense of the market and some people don’t. Steven Spielberg has it. Lee Iacocca of Chrysler has it, and so does Judith Krantz in her way. Woody Allen has it, for the audience he cares about reaching, and so does Sylvester Stallone, at the other end of the spectrum. Some people criticize Stallone, but you’ve got to give him credit. I mean, here’s a man who is just forty-one years old, and he’s already created two of the all-time-great characters, Rocky and Rambo. To me he’s a diamond-in-the-rough type, a genius purely by instinct. He knows what the public wants and he delivers it.

I like to think I have that instinct. That’s why I don’t hire a lot of number-crunchers, and I don’t trust fancy marketing surveys. I do my own surveys and draw my own conclusions. I’m a great believer in asking everyone for an opinion before I make a decision. It’s a natural reflex. If I’m thinking of buying a piece of property, I’ll ask the people who live nearby about the area—what they think of the schools and the crime and the shops. When I’m in another city and I take a cab, I’ll always make it a point to ask the cabdriver questions. I ask and I ask and I ask, until I begin to get a gut feeling about something. And that’s when I make a decision.

I have learned much more from conducting my own random surveys than I could ever have learned from the greatest of consulting firms. They send a crew of people down from Boston, rent a room in New York, and charge you $100,000 for a lengthy study. In the end, it has no conclusion and takes so long to complete that if the deal you were considering was a good one, it will be long gone.

The other people I don’t take too seriously are the critics—except when they stand in the way of my projects. In my opinion, they mostly write to impress each other, and they’re just as swayed by fashions as anyone else. One week it’s spare glass towers they are praising to the skies. The next week, they’ve rediscovered old, and they’re celebrating detail and ornamentation. What very few of them have is any feeling for what the public wants. Which is why, if these critics ever tried to become developers, they’d be terrible failures.

Trump Tower is a building the critics were skeptical about before it was built, but which the public obviously liked. I’m not talking about the sort of person who inherited money 175 years ago and lives on 84th Street and Park Avenue. I’m taking about the wealthy Italian with the beautiful wife and the red Ferrari. Those people—the audience I was after—came to Trump Tower in droves.

The funny thing about Trump Tower is that we ended up getting great architectural reviews. The critics didn’t want to review it well because it stood for a lot of things they didn’t like at the time. But in the end, it was such a gorgeous building that they had no choice but to say so. I always follow my own instincts, but I’m not going to kid you: it’s also nice to get good reviews.

Use Your Leverage

The worst thing you can possibly do in a deal is seem desperate to make it. That makes the other guy smell blood, and then you’re dead. The best thing you can do is deal from strength, and leverage is the biggest strength you can have. Leverage is having something the other guy wants. Or better yet, needs. Or best of all, simply can’t do without.

Unfortunately, that isn’t always the case, which is why leverage often requires imagination, and salesmanship. In other words, you have to convince the other guy it’s in his interest to make the deal.

Back in 1974, in an effort to get the city to approve my deal to buy the Commodore Hotel on East 42nd Street, I convinced its owners to go public with the fact that they were planning to close down the hotel. After they made the announcement, I wasn’t shy about pointing out to everyone in the city what a disaster a boarded-up hotel would be for the Grand Central area, and for the entire city.

When the board of Holiday Inns was considering whether to enter into a partnership with me in Atlantic City, they were attracted to my site because they believed my construction was farther along than that of any other potential partner. In reality, I wasn't that far along, but I did everything I could, short of going to work at the site myself, to assure them that my casino was practically finished. My leverage came from confirming an impression they were already predisposed to believe.

When I bought the West Side railyards, I didn't name the project Television City by accident, and I didn't choose the name because I think it's pretty. I did it to make a point. Keeping the television networks in New York—and NBC in particular—is something the city very much wants to do. Losing a network to New Jersey would be a psychological and economic disaster.

Leverage: don't make deals without it.

Enhance Your Location

Perhaps the most misunderstood concept in all of real estate is that the key to success is location, location, location. Usually, that's said by people who don't know what they're talking about. First of all, you don't necessarily need the best location. What you need is the best deal. Just as you can create leverage, you can enhance a location, through promotion and through psychology.

When you have 57th Street and Fifth Avenue as your location, as I did with Trump Tower, you need less promotion. But even there, I took it a step further, by promoting Trump Tower as something almost larger than life. By contrast, Museum Tower, two blocks away and built above the Museum of Modern Art, wasn't marketed well, never achieved an "aura," and didn't command nearly the prices we did at Trump Tower.

Location also has a lot to do with fashion. You can take a mediocre location and turn it into something considerably better just by attracting the right people. After Trump Tower I built Trump Plaza, on a site at Third Avenue and 61st Street that I was able to purchase very inexpensively. The truth is that Third Avenue simply didn't compare with Fifth Avenue as a location. But Trump Tower had given a value to the Trump name, and I built a very striking building on Third Avenue. Suddenly we were able to command premium prices from very wealthy and successful people who might have chosen Trump Tower if the best apartments hadn't been sold out. Today Third Avenue is a very prestigious place to live, and Trump Plaza is a great success.

My point is that the real money isn't made in real estate by spending the top dollar to buy the best location. You can get killed doing that, just as you can get killed buying a bad location, even for a low price. What you should never do is pay too much, even if that means walking away from a very good site. Which is all a more sophisticated way of looking at location.

Get the Word Out

You can have the most wonderful product in the world, but if people don't know about it, it's not going to be worth much. There are singers in the world with voices as good as Frank Sinatra's, but they're singing in their garages because no one has ever heard of them. You need to generate interest, and you need to create excitement. One way is to hire public relations people and pay them a lot of money to sell whatever you've got. But to me, that's like hiring outside consultants to study a market. It's never as good as doing it yourself.

One thing I've learned about the press is that they're always hungry for a good story, and the more sensational the better. It's in the nature of the job, and I understand that. The point is that if you are a little different, or a little outrageous, or if you do things that are bold or controversial, the press is going to write about you. I've always done things a little differently, I don't mind controversy, and my deals tend to be somewhat ambitious. Also, I achieved a lot when I was very young, and I chose to live in a certain style. The result is that the press has always wanted to write about me.

I'm not saying that they necessarily like me. Sometimes they write positively, and sometimes they write negatively. But from a pure business point of view, the benefits of being written about have far outweighed the drawbacks. It's really quite simple. If I take a full-page ad in the *New York Times* to publicize a project, it might cost $40,000, and in any case, people tend to be skeptical about advertising. But if the *New York Times* writes even a moderately positive one-column story about one of my deals, it doesn't cost me anything, and it's worth a lot more than $40,000.

The funny thing is that even a critical story, which may be hurtful personally, can be very valuable to your business. Television City is a perfect example. When I bought the land in 1985, many people, even those on the West Side, didn't realize that those one hundred acres existed. Then I announced I was going to build the world's tallest building on the site. Instantly, it became a media event: the *New York Times* put it on the front page, Dan Rather announced it on the evening news, and George Will wrote a column about it in *Newsweek*. Every architecture critic had an opinion, and so did a lot of editorial writers. Not all of them liked the idea of the world's tallest building. But the point is that we got a lot of attention, and that alone creates value.

The other thing I do when I talk with reporters is to be straight. I try not to deceive them or to be defensive, because those are precisely the ways most people get themselves into trouble with the press. Instead, when a reporter asks me a tough question, I try to frame a positive answer, even if that means shifting the ground. For example, if someone asks me what negative effects the world's tallest building might have on the West Side, I turn the tables and talk about how New Yorkers deserve the world's tallest building, and what a boost it will give the city to have that honor again. When a reporter asks why I build only for the rich, I note that the rich aren't the only ones who benefit from my buildings. I explain that I put thousands of people to work who might otherwise be collecting unemployment, and that I add to the city's tax base every time I build a new project. I also point out that buildings like Trump Tower have helped spark New York's renaissance.

The final key to the way I promote is bravado. I play to people's fantasies. People may not always think big themselves, but they can still get very excited by those who do. That's why a little hyperbole never hurts. People want to believe that something is the biggest and the greatest and the most spectacular.

I call it truthful hyperbole. It's an innocent form of exaggeration—and a very effective form of promotion.

Fight Back

Much as it pays to emphasize the positive, there are times when the only choice is confrontation. In most cases I'm very easy to get along with. I'm very good to people who are good to me. But when people treat me badly or unfairly or try to take advantage of me, my general attitude, all my life, has been to fight back very hard. The risk is that you'll make a bad situation worse, and I certainly don't recommend this approach to everyone. But my experience is that if you're fighting for something you believe in—even if it means alienating some people along the way—things usually work out for the best in the end.

When the city unfairly denied me, on Trump Tower, the standard tax break every developer had been getting, I fought them in six different courts. It cost me a lot of money, I was considered highly likely to lose, and people told me it was a no-win situation politically. I would have considered it worth the effort regardless of the outcome. In this case, I won—which made it even better.

When Holiday Inns, once my partners at the Trump Plaza Hotel and Casino in Atlantic City, ran a casino that consistently performed among the bottom 50 percent of casinos in town, I fought them very hard and they finally sold out their share to me. Then I began to think about trying to take over the Holiday Inns company altogether.

Even if I never went on the offensive, there are a lot of people gunning for me now. One of the problems when you become successful is that jealousy and envy inevitably follow. There are people—I categorize them as life's losers—who get their sense of accomplishment and achievement from trying to stop others. As far as I'm concerned, if they had any real ability they wouldn't be fighting me, they'd be doing something constructive themselves.

Deliver the Goods

You can't con people, at least not for long. You can create excitement, you can do wonderful promotion and get all kinds of press, and you can throw in a little hyperbole. But if you don't deliver the goods, people will eventually catch on.

I think of Jimmy Carter. After he lost the election to Ronald Reagan, Carter came to see me in my office. He told me he was seeking contributions to the Jimmy Carter Library. I asked how much he had in mind. And he said, "Donald, I would be very appreciative if you contributed five million dollars."

I was dumbfounded. I didn't even answer him.

But that experience also taught me something. Until then, I'd never understood how Jimmy Carter became president. The answer is that as poorly qualified as he was for the job, Jimmy Carter had the nerve, the guts, the balls, to ask for something extraordinary. That ability above all helped him get elected president. But then, of course, the American people caught on pretty quickly that Carter couldn't do the job, and he lost in a landslide when he ran for reelection.

Ronald Reagan is another example. He is so smooth and so effective a performer that he completely won over the American people. Only now, nearly seven years later, are people beginning to question whether there's anything beneath that smile.

I see the same thing in my business, which is full of people who talk a good game but don't deliver. When Trump Tower became successful, a lot of developers got the idea of imitating our atrium, and they ordered their architects to come up with a design. The drawings would come back, and they would start costing out the job.

What they discovered is that the bronze escalators were going to cost a million dollars extra, and the waterfall was going to cost two million dollars, and the marble was going to cost many millions more. They saw that it all added up to many millions of dollars, and all of a sudden these people with these great ambitions would decide, well, let's forget about the atrium.

The dollar always talks in the end. I'm lucky, because I work in a very, very special niche, at the top of the market, and I can afford to spend top dollar to build the best. I promoted the hell out of Trump Tower, but I also had a great product to promote.

Contain the Costs

I believe in spending what you have to. But I also believe in not spending more than you should. When I was building low-income housing, the most important thing was to get it built quickly, inexpensively, and adequately, so you could rent it out and make a few bucks. That's when I learned to be cost-conscious. I never threw money around. I learned from my father that every penny counts, because before too long your pennies turn into dollars.

To this day, if I feel a contractor is overcharging me, I'll pick up the phone, even if it's only for $5,000 or $10,000, and I'll complain. People say to me, "What are you bothering for, over a few bucks?" My answer is that the day I can't pick up the telephone and make a twenty-five-cent call to save $10,000 is the day I'm going to close up shop.

The point is that you can dream great dreams, but they'll never amount to much if you can't turn them into reality at a reasonable cost. At the time I built Trump Plaza in Atlantic City, banks were reluctant to finance new construction at all, because almost every casino up to then had experienced tens of millions of dollars in cost overruns. We brought Trump Plaza in on budget, and on time. As a result, we were able to open for Memorial Day weekend, the start of the high season. By contrast, Bob Guccione of *Penthouse* has been trying for the past seven years to build a casino on the Boardwalk site right next to ours. All he has to show for his efforts is a rusting half-built frame and tens of millions of dollars in lost revenues and squandered carrying costs.

Even small jobs can get out of control if you're not attentive. For nearly seven years I watched from the window of my office as the city tried to rebuild Wollman Rink in Central Park. At the end of that time, millions of dollars had been wasted and the job was farther from being completed than when the work began. They were all set to rip out the concrete and start over when I finally couldn't stand it anymore, and I offered to do it myself. The job took four months to complete at a fraction of the city's cost.

Have Fun

I don’t kid myself. Life is very fragile, and success doesn’t change that. If anything, success makes it more fragile. Anything can change, without warning, and that’s why I try not to take any of what’s happened too seriously. Money was never a big motivation for me, except as a way to keep score. The real excitement is playing the game. I don’t spend a lot of time worrying about what I should have done differently, or what’s going to happen next. If you ask me exactly what the deals I’m about to describe all add up to in the end, I’m not sure I have a very good answer. Except that I’ve had a very good time making them.

3
GROWING UP

THE MOST IMPORTANT INFLUENCE on me, growing up, was my father, Fred Trump. I learned a lot from him. I learned about toughness in a very tough business, I learned about motivating people, and I learned about competence and efficiency: get in, get it done, get it done right, and get out.

At the same time, I learned very early on that I didn't want to be in the business my father was in. He did very well building rent-controlled and rent-stabilized housing in Queens and Brooklyn, but it was a very tough way to make a buck. I wanted to try something grander, more glamorous, and more exciting. I also realized that if I ever wanted to be known as more than Fred Trump's son, I was eventually going to have to go out and make my own mark. I'm fortunate that my father was content to stay with what he knew and did so well. That left me free to make my mark in Manhattan. Even so, I never forgot the lessons I learned at my father's side.

His story is classic Horatio Alger. Fred Trump was born in New Jersey in 1905. His father, who came here from Sweden as a child, owned a moderately successful restaurant, but he was also a hard liver and a hard drinker, and he died when my father was eleven years old. My father's mother, Elizabeth, went to work as a seamstress to support her three children. The oldest, also named Elizabeth, was sixteen at the time, and the youngest, John, was nine. My father was the middle child but the first son, and he became the man of the house. Almost immediately, he began taking odd jobs—everything from deliveries for a local fruit store to shining shoes to hauling lumber on a construction site. Construction always interested him, and during high school he began taking night classes in carpentry, plan-reading, and estimating, figuring that if he learned a trade, he'd always be able to make a living. By the age of sixteen, he'd built his first structure, a two-car frame garage for a neighbor. Middle-class people were just beginning to buy cars, few homes had attached garages, and my father was soon able to establish a very good new business building prefabricated garages for fifty dollars apiece.

He graduated from high school in 1922, and with a family to support, he couldn't even consider college. Instead, he went to work as a carpenter's helper for a home-builder in Queens. He was better with his hands than most, but he also had some other advantages. For starters, he was just a very smart guy. Even to this day, he can add five columns of numbers in his head and keep them all straight. Between his night courses and his basic common sense, he was able to show the other carpenters, most of whom had no education at all, shortcuts, such as how to frame a rafter with a steel square.

In addition, my father was always very focused and very ambitious. Most of his co-workers were happy just to have a job. My father not only wanted to work, he also wanted to do well and to get ahead. Finally, my father just plain loved working. From as early as I can remember, my father would say to me, "The most important thing in life is to love what you're doing, because that's the only way you'll ever be really good at it."

One year after he got out of high school, my father built his first home, a one-family house in Woodhaven, Queens. It cost a little less than $5,000 to build, and he sold it for $7,500. He called his company Elizabeth Trump & Son because at the time he wasn't of age, and his mother had to sign all his legal documents and checks. As soon as he sold his first house, he used the profit to build another, and then another and another, in working-class Queens communities like Woodhaven, Hollis, and Queens Village. For working people who'd spent their lives in small, crowded apartments, my father offered a whole new life-style: modestly priced suburban-style brick houses. They were gobbled up as fast as he could build them.

Instinctively, my father began to think bigger. By 1929, aiming at a more affluent market, he started building much larger homes. Instead of tiny brick houses, he put up three-story Colonials, Tudors, and Victorians in a section of Queens that ultimately became known as Jamaica Estates—and where, eventually, he built a home for our family. When the Depression hit and the housing market fell off, my father turned his attention to other businesses. He bought a bankrupt mortgage-servicing company and sold it at a profit a year later. Next, he built a self-service supermarket in Woodhaven, one of the first of its kind. All the local tradesmen—butcher, tailor, shoemaker—rented concessions in the space, and the convenience of having everything available under one roof made the operation an immediate success. Within a year, however, eager to return to building, my father sold out to King Kullen for a large profit.

By 1934 the Depression was finally beginning to ease, but money was still tight and so my father decided to go back to building lower-priced homes. This time he chose the depressed Flatbush area of Brooklyn, where land was cheap and he sensed there was a lot of room for growth. Once again his instincts were right. In three weeks he sold 78 homes, and during the next dozen years, he built 2,500 more throughout Queens and Brooklyn. He was becoming very successful.

In 1936 my father married my wonderful mother, Mary MacLeod, and they began a family. My father's success also made it possible for him to give to his younger brother something he'd missed himself: a college education. With my father's help, my uncle, John Trump, went to college, got his Ph.D. from M.I.T., and eventually became a full professor of physics and one of the country's great scientists. Perhaps because my father never got a college degree himself, he continued to view people who had one with a respect that bordered on awe. In most cases they didn't deserve it. My father could run circles around most academics and he would have done very well in college, if he'd been able to go.

We had a very traditional family. My father was the power and the breadwinner, and my mother was the perfect housewife. That didn't mean she sat around playing bridge and talking on the phone. There were five children in all, and besides taking care of us, she cooked and cleaned and darned socks and did charity work at the local hospital. We lived in a large house, but we never thought of ourselves as rich kids. We were brought up to know the value of a dollar and to appreciate the importance of hard work. Our family was always very close, and to this day they are my closest friends. My parents had no pretensions. My father still works out of a small, modest back office on Avenue Z in the Sheepshead Bay section of Brooklyn, in a building he put up in 1948. It's simply never occurred to him to move.

My sister Maryanne was the first born, and when she graduated from Mount Holyoke College, she followed my mother's path at first, marrying and staying at home while her son grew up. But she also inherited a lot of my father's drive and ambition, and when her son David became a teenager, she went back to school, to study law. She graduated with honors, began with a private firm, worked for five years as a federal prosecutor in the U.S. Attorney's Office, and four years ago became a federal judge. Maryanne is really something. My younger sister, Elizabeth, is kind and bright but less ambitious, and she works at Chase Manhattan Bank in Manhattan.

My older brother, Freddy, the first son, had perhaps the hardest time in our family. My father is a wonderful man, but he is also very much a business guy and strong and tough as hell. My brother was just the opposite. Handsome as could be, he loved parties and had a great, warm personality and a real zest for life. He didn't have an enemy in the world. Naturally, my father very much wanted his oldest son in the business, but unfortunately, business just wasn't for Freddy. He went to work with my father reluctantly, and he never had a feel for real estate. He wasn't the kind of guy who could stand up to a killer contractor or negotiate with a rough supplier. Because my father was so strong, there were inevitably confrontations between the two of them. In most cases, Freddy came out on the short end.

Eventually, it became clear to all of us that it wasn't working, and Freddy went off to pursue what he loved most—flying airplanes. He moved to Florida, became a professional pilot, and flew for TWA. He also loved fishing and boating. Freddy was probably happiest during that period in his life, and yet I can remember saying to him, even though I was eight years younger, "Come on, Freddy, what are you doing? You're wasting your time." I regret now that I ever said that.

Perhaps I was just too young to realize that it was irrelevant what my father or I thought about what Freddy was doing. What mattered was that he enjoyed it. Along the way, I think Freddy became discouraged, and he started to drink, and that led to a downward spiral. At the age of forty-three, he died. It's very sad, because he was a wonderful guy who never quite found himself. In many ways he had it all, but the pressures of our particular family were not for him. I only wish I had realized this sooner.

Fortunately for me, I was drawn to business very early, and I was never intimidated by my father, the way most people were. I stood up to him, and he respected that. We had a relationship that was almost businesslike. I sometimes wonder if we'd have gotten along so well if I hadn't been as business-oriented as I am.

Even in elementary school, I was a very assertive, aggressive kid. In the second grade I actually gave a teacher a black eye—I punched my music teacher because I didn't think he knew anything about music and I almost got expelled. I'm not proud of that, but it's clear evidence that even early on I had a tendency to stand up and make my opinions known in a very forceful way. The difference now is that I like to use my brain instead of my fists.

I was always something of a leader in my neighborhood. Much the way it is today, people either liked me a lot, or they didn't like me at all. In my own crowd I was very well liked, and I tended to be the kid that others followed. As an adolescent I was mostly interested in creating mischief, because for some reason I liked to stir things up, and I liked to test people. I'd throw water balloons, shoot spitballs, and make a ruckus in the schoolyard and at birthday parties. It wasn't malicious so much as it was aggressive. My brother Robert likes to tell the story of the time when it became clear to him where I was headed.

Robert is two years younger than I am, and we have always been very close, although he is much quieter and more easygoing than I am. One day we were in the playroom of our house, building with blocks. I wanted to build a very tall building, but it turned out that I didn't have enough blocks. I asked Robert if I could borrow some of his, and he said, "Okay, but you have to give them back when you're done." I ended up using all of my blocks, and then all of his, and when I was done, I'd created a beautiful building. I liked it so much that I glued the whole thing together. And that was the end of Robert's blocks.

When I turned thirteen, my father decided to send me to a military school, assuming that a little military training might be good for me. I wasn't thrilled about the idea, but it turned out he was right. Beginning in the eighth grade I went to the New York Military Academy in upstate New York. I stayed through my senior year, and along the way I learned a lot about discipline, and about channeling my aggression into achievement. In my senior year I was appointed a captain of the cadets.

There was one teacher in particular who had a big impact on me. Theodore Dobias was a former drill sergeant in the marines, and physically he was very tough and very rough, the kind of guy who could slam into a goalpost wearing a football helmet and break the post rather than his head. He didn't take any back talk from anyone, least of all from kids who came from privileged backgrounds. If you stepped out of line, Dobias smacked you and he smacked you hard. Very quickly I realized that I wasn't going to make it with this guy by trying to take him on physically. A few less fortunate kids chose that route, and they ended up getting stomped. Most of my classmates took the opposite approach and became nebbishes. They never challenged Dobias about anything.

I took a third route, which was to use my head to get around the guy. I figured out what it would take to get Dobias on my side. In a way, I finessed him. It helped that I was a good athlete, since he was the baseball coach and I was the captain of the team. But I also learned how to play *him*.

What I did, basically, was to convey that I respected his authority, but that he didn't intimidate me. It was a delicate balance. Like so many strong guys, Dobias had a tendency to go for the jugular if he smelled weakness. On the other hand, if he sensed strength but you didn't try to undermine him, he treated you like a man. From the time I figured that out—and it was more an instinct than a conscious thought—we got along great.

I was a good enough student at the academy, although I can't say I ever worked very hard. I was lucky that it came relatively easily to me, because I was never all that interested in schoolwork. I understood early on that the whole academic thing was only a preliminary to the main event—which was going to be whatever I did after I graduated from college.

Almost from the time I could walk, I'd been going to construction sites with my father. Robert and I would tag along and spend our time hunting for empty soda bottles, which we'd take to the store for deposit money. As a teenager, when I came home from school for vacation, I followed my father around to learn about the business close up—dealing with contractors or visiting buildings or negotiating for a new site.

You made it in my father's business—rent-controlled and rent-stabilized buildings—by being very tough and very relentless. To turn a profit, you had to keep your costs down, and my father was always very price-conscious. He'd negotiate just as hard with a supplier of mops and floor wax as he would with the general contractor for the larger items on a project. One advantage my father had was that he knew what everything cost. No one could put anything over on him. If you know, for example, that a plumbing job is going to cost the contractor $400,000, then you know how far you can push the guy. You're not going to try to negotiate him down to $300,000, because that's just going to put him out of business. But you're also not going to let him talk you into $600,000.

The other way my father got contractors to work for a good price was by selling them on his reliability. He'd offer a low price for a job, but then he'd say, "Look, with me you get paid, and you get paid on time, and with someone else, who knows if you ever see your money?" He'd also point out that with him they'd get in and out quickly and on to the next job. And finally, because he was always building, he could hold out the promise of plenty of future work. His arguments were usually compelling.

My father was also an unbelievably demanding taskmaster. Every morning at six, he'd be there at the site and he would just pound and pound and pound. He was almost a one-man show. If a guy wasn't doing his job the way my father thought it should be done—and I mean any job, because he could do them all—he'd jump in and take over.

It was always amusing to watch a certain scenario repeat itself. My father would start a building in, say, Flatbush, at the same time that two competitors began putting up their own buildings nearby. Invariably, my father would finish his building three or four months before his competitors did. His building would also always be a little better-looking than the other two, with a nicer, more spacious lobby and larger rooms in the apartments themselves. He'd rent them out quickly, at a time when it wasn't so easy to rent. Eventually, one or both of his competitors would go bankrupt before they'd finish their buildings, and my father would step in and buy them out. I saw this happen over and over.

In 1949, when I was just three years old, my father began building Shore Haven Apartments, the first of several large apartment complexes that eventually made him one of the biggest landlords in New York's outer boroughs. Because he built the projects so efficiently, my father did exceptionally well with them. At the time, the government was still in the business of financing lower- and middle-income housing. To build Shore Haven, for example, my father got a loan of $10.3 million from the Federal Housing Administration (FHA). The loan was based on what the agency projected as a fair and reasonable cost for the project, including a builder's profit of 7.5 percent.

By pushing his contractors very hard, and negotiating hard with his suppliers, my father was able to bring the project in ahead of schedule and almost $1 million under budget. The term "windfall profits" was actually coined to describe what my father and some others managed to earn through hard work and competence. Eventually such profits were disallowed.

In the meantime, however, my father put up thousands of good quality lower- and middle-income apartments of the sort that no one is building today because it's not profitable and government subsidies have been eliminated. To this day, the Trump buildings in Queens and Brooklyn are considered among the best reasonably priced places to live in New York.

After I graduated from New York Military Academy in 1964 I flirted briefly with the idea of attending film school at the University of Southern California. I was attracted to the glamour of the movies, and I admired guys like Sam Goldwyn, Darryl Zanuck, and most of all Louis B. Mayer, whom I considered great showmen. But in the end I decided real estate was a much better business.

I began by attending Fordham University in the Bronx, mostly because I wanted to be close to home. I got along very well with the Jesuits who ran the school, but after two years, I decided that as long as I had to be in college, I might as well test myself against the best. I applied to the Wharton School of Finance at the University of Pennsylvania and I got in. At the time, if you were going to make a career in business, Wharton was the place to go. Harvard Business School may produce a lot of CEOs—guys who manage public companies—but the real entrepreneurs all seemed to go to Wharton: Saul Steinberg, Leonard Lauder, Ron Perelman—the list goes on and on.

Perhaps the most important thing I learned at Wharton was not to be overly impressed by academic credentials. It didn't take me long to realize that there was nothing particularly awesome or exceptional about my classmates, and that I could compete with them just fine. The other important thing I got from Wharton was a Wharton degree. In my opinion, that degree doesn't prove very much, but a lot of people I do business with take it very seriously, and it's considered very prestigious. So all things considered, I'm glad I went to Wharton.

I was also very glad to get finished. I immediately moved back home and went to work full-time with my father. I continued to learn a lot, but it was during this period that I began to think about alternatives.

For starters, my father's scene was a little rough for my tastes—and by that I mean physically rough. I remember, for example, going around with the men we called rent collectors. To do this job you had to be physically imposing, because when it came to collecting rent from people who didn't want to pay, size mattered a lot more than brains.

One of the first tricks I learned was that you never stand in front of someone's door when you knock. Instead you stand by the wall and reach over to knock. The first time a collector explained that to me, I couldn't imagine what he was talking about. "What's the point?" I said. He looked at me like I was crazy. "The point," he said, "is that if you stand to the side, the only thing exposed to danger is your hand." I still wasn't sure what he meant. "In this business," he said, "if you knock on the wrong apartment at the wrong time, you're liable to get shot."

My father had never sheltered me, but even so, this was not a world I found very attractive. I'd just graduated from Wharton, and suddenly here I was in a scene that was violent at worst and unpleasant at best. For example, there were tenants who'd throw their garbage out the window, because it was easier than putting it in the incinerator. At one point, I instituted a program to teach people about using the incinerators. The vast majority of tenants were just fine, but the bad element required attention, and to me it just wasn't worth it.

The second thing I didn't find appealing was that the profit margins were so low. You had no choice but to pinch pennies, and there was no room for any luxuries. Design was beside the point because every building had to be pretty much the same: four walls, common brick façades, and straight up. You used red brick, not necessarily because you liked it but because it was a penny a brick cheaper than tan brick.

I still remember a time when my father visited the Trump Tower site, midway through construction. Our façade was a glass curtain wall, which is far more expensive than brick. In addition, we were using the most expensive glass you can buy—bronze solar. My father took one look, and he said to me, “Why don’t you forget about the damn glass? Give them four or five stories of it and then use common brick for the rest. Nobody is going to look up anyway.” It was a classic, Fred Trump standing there on 57th Street and Fifth Avenue trying to save a few bucks. I was touched, and of course I understood where he was coming from—but also exactly why I’d decided to leave.

The real reason I wanted out of my father’s business—more important than the fact that it was physically rough and financially tough—was that I had loftier dreams and visions. And there was no way to implement them building housing in the outer boroughs.

Looking back, I realize now that I got some of my sense of showmanship from my mother. She always had a flair for the dramatic and the grand. She was a very traditional housewife, but she also had a sense of the world beyond her. I still remember my mother, who is Scottish by birth, sitting in front of the television set to watch Queen Elizabeth’s coronation and not budging for an entire day. She was just enthralled by the pomp and circumstance, the whole idea of royalty and glamour. I also remember my father that day, pacing around impatiently. “For Christ’s sake, Mary,” he’d say. “Enough is enough, turn it off. They’re all a bunch of con artists.” My mother didn’t even look up. They were total opposites in that sense. My mother loves splendor and magnificence, while my father, who is very down-to-earth, gets excited only by competence and efficiency.

4
THE CINCINNATI KID

Prudence Pays

IN COLLEGE while my friends were reading the comics and the sports pages of newspapers, I was reading the listings of FHA foreclosures. It might seem a bit abnormal to study lists of federally financed housing projects in foreclosure, but that's what I did. And that's how I found out about Swifton Village. It was a job that I bought with my father, while I was in college, and it was my first big deal.

Swifton Village was a 1,200-unit apartment development in Cincinnati, Ohio, and it was a very troubled place. There were 800 vacant apartments, the developers had gone under, the government had foreclosed and the whole deal was a disaster. But from our perspective that was great, because it gave us a terrific opportunity.

A lot of times, when you are dealing with a government agency on a foreclosure, they just want to get out of it as quickly as possible. They aren't equipped to manage it. In this case, things had deteriorated so badly that no one else was even bidding.

Today you'll find the same thing if you go out to the Sun Belt, where they built all that housing during the oil boom. Now you have huge developments with 30 and 40 percent vacancy rates. Developers are suicidal because banks are foreclosing on them. It's a great time for a smart buyer, because you can get unbelievable deals.

My father and I put in a very minimal bid for Swifton, and it was accepted. We ended up paying less than $6 million for a job which had cost twice that much to build just two years earlier. We were also immediately able to get a mortgage for what we paid, plus about $100,000, which we put toward fixing the place up. In other words, we got the project without putting down any money of our own. All we had to do was go and run it. And if we did even a halfway decent job, we could easily cover our mortgage from the proceeds of the rent.

The fact that it was such a big job appealed to my father and to me because it meant we could focus a lot of energy on it without feeling we were wasting our time. It takes almost the same amount of energy to manage 50 units as it does 1,200—except that with 1,200 you have a much bigger upside.

After we negotiated the deal, success became a matter of management and marketing. The challenge was to get the place rented, and rented to good tenants who would stay there. The tenants who were living in the project when I took over had ripped the place apart. Many of them had come down from the hills of Kentucky. They were very poor and had seven or eight children, almost no possessions, and no experience living in an apartment complex. They crammed into one-room and two-room apartments, and their children went wild. They would just destroy the apartments and wreak havoc on the property.

The tenants not only didn't care, many of them also didn't see fit to pay rent. If you pressed them, they had a tendency to take off. What we discovered is that to avoid paying rent, these people would rent a trailer, pull it up in front of their apartments at one or two in the morning, and disappear into the night with all their belongings. That was fine by me, but I wanted to make sure we got paid first. Our solution was to institute a "trailer-watch." We had someone on round-the-clock patrol.

After we got rid of the bad tenants, we set about fixing the place up to attract a better element. That required a substantial investment, almost $800,000 by the time we were done, which was a lot of money in those days. But it was more than worth it. In New York the laws prevent you from getting fair increases even when you make improvements, but in Cincinnati we were immediately able to charge and get much higher rents for the apartments at Swifton Village.

The first thing we did was invest in beautiful white shutters for the windows. That may not sound like a big deal, but what the shutters did was give a bunch of cold red brick buildings a feeling of warmth and coziness, which was important. It was also much more expensive than you'd guess, because you're talking about 1,200 units, each of which has eight to ten windows. The next thing we did was rip out the cheap, horrible aluminum front doors on the apartments and put up beautiful colonial white doors.

I made sure the whole complex was very clean and very well maintained. As I said earlier, I've always had a personal thing about cleanliness, but I also believe it's a very good investment. For example, if you want to sell a car and you spend five dollars to wash and polish it and then apply a little extra elbow grease, suddenly you find you can charge an extra four hundred dollars—and get it. I can always tell a loser when I see someone with a car for sale that is filthy dirty. It's so easy to make it look better.

It's no different in real estate. Well-maintained real estate is always going to be worth a lot more than poorly maintained real estate. That's been less true during the past few years in New York, when there's been such a fever for real estate that people buy anything. But it's a mistake to be lulled by good times. Markets always change, and as soon as there's a downturn, cleanliness becomes a major value.

We painted the hallways, we sanded and stained the floors, we kept the vacant apartments immaculately clean, and we landscaped the grounds. We also ran beautiful newspaper ads for the project—at a time when not many people in Cincinnati were advertising real estate. People came to check us out, and the word of mouth started getting good. Within a year, the buildings were 100 percent rented.

Along the way we went through a half dozen different project managers before we found the one we wanted. We had managers who were honest but dumb, including one guy who literally painted himself into the corner of an apartment. Others were smart but didn't know the first thing about managing. Fortunately, we went through them fast, because I tend to size people up pretty quickly.

Ultimately, we got a fabulous man whom I'll call Irving. Irving was sixty-five years old and a real character. He was one of the greatest bullshit artists I've ever met, but in addition to being a very sharp talker and a very slick salesman, he was also an amazing manager. Irving was the kind of guy who worked perhaps an hour a day and accomplished more in that hour than most managers did in twelve hours. I learned something from that: it's not how many hours you put in, it's what you get done while you're working.

The problem with Irving was that he wasn't the most trustworthy guy in the world. I suspected as much from the first day, but it wasn't until I tried to put a bond on him—something I do with any employee who handles money—that my instincts were confirmed. My insurance agent called me back after running a check, and he said, "Donald, you've got to be kidding about a bond. This guy is a con man." It turned out that Irving had done all sorts of con jobs and swindles, and he'd often been in trouble with the law.

My philosophy has always been that if you ever catch someone stealing, you have to go after him very hard, even if it costs you ten times more than he stole. Stealing is the worst. But with Irving I had a dilemma: he was far and away more capable than any honest manager I had found, and so long as he was in charge, no one *under* him would dare steal. That meant I only had to keep my eye on *him*. I used to kid Irving. I'd say, "We pay you $50,000 and all you can steal." And he would act all upset.

If I'd caught him in the act, I would have fired Irving on the spot, but I never did. Still, I figure he managed to steal at least another $50,000 a year. Even so, I was probably getting a bargain.

One day I walked into the office, and one of the girls who worked there was crying. It turned out that there was something they called a funeral fund, to which they all contributed in order to buy flowers for anyone they knew who'd died. They had about $80 in the fund. When I asked the girl what she was crying about, she said, "Oh, that Irving, he stole our funeral fund."

I went to Irving and I said, "Irving, dammit, did you steal their money?" Of course he just denied it. He swore he'd get those girls, and he ranted and raved for half an hour. But I always assumed the girls were telling the truth. Irving was a classic. He had problems, but he was a classic.

I'll give you an example of how Irving worked. You've got to understand that we are talking about a short, fat, bald-headed guy with thick glasses and hands like Jell-O, who'd never lifted anything in his life beside a pen, and who had no physical ability whatsoever. What he did have, however, was an incredible mouth.

As I mentioned, in the early days we had a good number of tenants who didn't believe in paying rent. Sometimes, Irving would go out and collect himself. He'd ring the doorbell, and when someone came to the door, he'd go crazy. He'd get red in the face, use every filthy word he could think of, and make every threat in the book. It was an act, but it was very effective: usually they paid up right then and there.

One day, while Irving was on his rounds, he knocked on a door, and a little ten-year-old girl answered. Irving said, "You go tell your father to pay his f———ing rent or I'm going to knock his ass off." And he went on like that, until the girl's mother came out to see what was going on. As it happened, she was an absolutely beautiful woman.

Now Irving had a weakness for all women, and this woman was quite exceptional. So immediately, Irving started putting the move on her. He invited her out to dinner. The woman, whose husband was either a truck driver or a construction worker, had never experienced anyone like Irving and obviously didn't know what to make of him. There was no way, however, that she was interested in Irving, and finally he gave up and we left.

About an hour later, Irving and I were sitting in his office when this huge guy, a monster, maybe 240 pounds, burst through the door. He was furious that Irving had cursed in front of his daughter, and he was ready to strangle him for coming on to his wife. The guy had murder in his eyes.

I expected Irving, if he had any sense, to run for his life. Instead, he started verbally attacking the man, flailing and screaming and chopping his hands in the air. “You get out of this office,” he said. “I’ll kill you. I’ll destroy you. These hands are lethal weapons, they’re registered with the police department.”

I’ll never forget how the guy looked at Irving and said, “You come outside, you fat crap, I want to burn grass with you.” I always loved that phrase: “burn grass.” And I thought to myself, Irving is in serious trouble. But Irving didn’t seem to think so. “I’d fight you any time you want,” he said, “but it’s unlawful for me to fight.”

All you had to do was look at Irving to know those hands were hardly registered weapons. But Irving was very much like a lion tamer. You’ve seen these guys, maybe 150 pounds, who walk blithely into a cage where there’s a magnificent 800-pound lion pacing around. If that animal sensed any weakness or any fear, he’d destroy the trainer in a second. But instead the trainer cracks his whip, walks with authority, and, amazingly, the lion listens. Which is exactly what Irving did with this huge guy, except his whip was his mouth.

The result was that the guy left the office. He was still in a rage, but he left. Irving probably saved his own life, just by showing no fear, and that left a very vivid impression on me. You can’t be scared. You do your thing, you hold your ground, you stand up tall, and whatever happens, happens.

As for Swifton Village, once Irving had it running well, I began spending less and less time there. I wasn’t really needed anymore in Cincinnati. So I cut back my visits to Swifton, first to once a week, and eventually to once a month.

Early on, I’d become particularly friendly with one of the newer tenants at Swifton. He was Jewish, an older man who’d been in a concentration camp in Poland. He’d started off in America as a butcher, then bought the shop, and by the time I met him, he owned perhaps fourteen butcher shops. He and his wife had taken two apartments in Swifton and put them together, and they had a great place, and they were very happy there. I had a lot of respect for this guy, because he had street smarts, he’d been around, and he was obviously a true survivor.

One day, a number of years after we first bought the place, I was out visiting. I ran into my friend. “How are you doing, how are you feeling?” I asked. “Good, good,” he replied, but then he took me aside and whispered, “Donald, you are a friend of mine and I have to tell you, sell this job.” And I said, “Why?”

“Because it’s going real bad—not the job but the area. It’s being surrounded by people who are so bad they will cut your throat and walk away and not even think about it. I’m talking about people who *enjoy* cutting throats.” That was the exact expression. I never forgot it.

Now, I’m someone who responds to people I have respect for, and I listen. Again, it’s instincts, not marketing studies. So I spent an extra two days in Cincinnati, and I rode around, and I saw that there was trouble brewing, that neighborhoods were getting rough.

I put the job up for sale, and almost immediately we got an offer. We’d already done very well with Swifton Village, because our debt was very small relative to the size of the complex, and our rent roll, by the end, had reached about $700,000 a year. But selling was how we made a real killing.

The buyer was the Prudent Real Estate Investment Trust. Those were the go-go days when real estate investment trusts—partnerships that invested in real estate—were very hot. The banks were loaning money to any REIT. The only problem was that many of the people running the REITs were neither knowledgeable nor competent. I called them the guys with the white bucks. They were the sort of people who'd throw money into a project in Puerto Rico without even going to see it. Eventually they'd discover that the building they thought they'd bought had never even been built.

In the case of Prudent, they sent a young man out to inspect and evaluate the property prior to making a final decision on whether to go forward with the sale. This kid was about my age, but he looked like a teenager. Frankly, I was surprised they'd entrusted such a big decision to him.

It turned out that what he wanted to do more than anything was go out for lunch. He'd heard about this restaurant in downtown Cincinnati called the Maisonette, which was supposed to be one of the five best restaurants in the country. He really wanted to eat there, and when he called to say he was coming, he asked me to make a lunch reservation. I said fine.

His flight came in a little late, about midday, and I met him, and I took him over to Swifton Village and showed him the job. We still had 100 percent occupancy at the time, and he wasn't interested in asking a lot of questions beyond that. He was anxious to get to the Maisonette. It took about half an hour to get there from Swifton, and we ended up spending about three hours over lunch, which is the opposite of the way I normally work. If I'd had only one day to look over a big job like Swifton, I'd sure as hell skip lunch and spend my time learning everything I could about what I was thinking of buying.

By the time we were done with lunch, it was almost four o'clock, and I had to take him to his plane. He returned to New York well fed and feeling great, and he strongly recommended going ahead with the purchase. He told his bosses that the area was wonderful and that Swifton was a great deal. They approved the sale. The price was $12 million—or approximately a $6 million profit for us. It was a huge return on a short-term investment.

What happened next is that we signed a contract. By then, I could see the dark clouds clearly on the horizon. A lot of tenants had their leases coming up and weren't planning to renew. We put a clause in the contract of sale saying that all representations contained in it were as of the signing of the contract—not as of the closing, which is what's typically required. In other words, we were willing to represent that the project was 100 percent rented at the time of the contract signing, but we didn't want to make the same promise at the time of closing, three or four months down the line.

The other thing I did was to insist on a clause in the contract in which they guaranteed they'd close, or else pay a huge penalty. That was also very unusual, because in nearly every other deal, the buyer puts up a 10 percent deposit, and if he fails to close, all he forfeits is the deposit.

Frankly, the Prudent people should have been more prudent. But, as I said, the REITs were hot to trot, and they couldn't make deals fast enough. In the end, of course, it never pays to be in too much of a hurry. On the day we closed, there were dozens of vacant apartments.

5
THE MOVE TO MANHATTAN

I HAD MY EYE on Manhattan from the time I graduated from Wharton in 1968. But at that point, the market in the city was very hot, the prices seemed very high, and I was unable to find a deal I liked—meaning a good piece of property at a price I found affordable. My father had done very well for himself, but he didn't believe in giving his children huge trust funds. When I graduated from college, I had a net worth of perhaps $200,000, and most of it was tied up in buildings in Brooklyn and Queens. So I waited. I went to work helping to run my father's business, and I continued to spend as much time as possible in Manhattan.

The turning point came in 1971, when I decided to rent a Manhattan apartment. It was a studio, in a building on Third Avenue and 75th Street, and it looked out on the water tank in the court of the adjacent building. I jokingly referred to my apartment as a penthouse, because it did happen to be near the top floor of the building. I also tried to divide it up so that it would seem bigger. But no matter what I did, it was still a dark, dingy little apartment. Even so, I loved it. Moving into that apartment was probably more exciting for me than moving, fifteen years later, into the top three floors of Trump Tower on Fifth Avenue and 57th Street overlooking Central Park.

You have to understand; I was a kid from Queens who worked in Brooklyn, and suddenly I had an apartment on the Upper East Side.

The really important thing was that by virtue of this move I became much more familiar with Manhattan. I began to walk the streets in a way you never do if you just come in to visit or do business. I got to know all the good properties. I became a city guy instead of a kid from the boroughs. As far as I was concerned, I had the best of all worlds. I was young, and I had a lot of energy, and I was living in Manhattan, even though I commuted back to Brooklyn to work.

One of the first things I did was join Le Club, which at the time was the hottest club in the city and perhaps the most exclusive—like Studio 54 at its height. It was located on East 54th Street, and its membership included some of the most successful men and the most beautiful women in the world. It was the sort of place where you were likely to see a wealthy seventy-five-year-old guy walk in with three blondes from Sweden.

I'll never forget how I became a member. One day I called up Le Club and I said, "My name is Donald Trump and I'd like to join your club." The guy on the other end of the phone just laughed and said, "You've got to be kidding." Nobody, of course, had heard of me. The next day I got another idea, and I called back and I said to the guy, "Listen, could I have a list of your members? I may know someone who is a member." And he said, "I'm sorry, we don't do that," and he hung up.

The next day I called again and said, "I need to reach the president of the club. I want to send him something." For some reason, the guy gave me the president's name and his business number, and I called him up. I introduced myself. I said, very politely, "My name is Donald Trump, and I'd like to join Le Club." And he said, "Do you have any friends or family in the club?" and I said, "No, I don't know anybody there."

He said, "Well, what makes you think you should be admitted as a member?" I just kept talking and talking, and finally this fellow said to me, "I'll tell you what, you sound like a nice young man, and maybe it would be good to have some younger members, so why don't you meet me for a drink at Twenty-one?"

The next night we met for a drink. There was just one small problem. I don't drink, and I'm not very big on sitting around. My host, on the other hand, liked to drink, and he had brought along a friend who also liked to drink. For the next two hours, we sat there as they drank and I didn't, until finally I said, "Listen, fellas, can I help you get home?" and they said, "No, let's just have one more."

Now, I just wasn't used to that. I have a father who has always been a rock, very straight and very solid. My father would come home every night at seven, have his dinner, read the newspaper, watch the news, and that was that. And I'm as much of a rock as my father. This was a totally different world. I remember wondering if every successful person in Manhattan was a big drinker. I figured it that was the case, I was going to have a big advantage.

Finally, about ten, these guys had enough, and I practically had to carry them home. Two weeks passed, and I never heard from the president. Finally, I called him, and he didn't even remember who I was. So now I had to go through the whole thing all over again, back to 21, only this time he didn't drink as much, and he agreed to put me up for membership. He had only one misgiving. He said that because I was young and good-looking, and because some of the older members of the club were married to beautiful young women, he was worried that I might be tempted to try to steal their wives. He asked me to promise that I wouldn't do that.

I couldn't believe what I was hearing. My mother is as much of a rock as my father. She is totally devoted to my father—they recently celebrated fifty years of marriage. That's what I grew up with, and here's this guy talking about stealing wives.

Anyway, I promised. I was admitted to the club, and it turned out to be a great move for me, socially and professionally. I met a lot of beautiful young single women, and I went out almost every night. Actually, I never got involved with any of them very seriously. These were beautiful women, but many of them couldn't carry on a normal conversation. Some were vain, some were crazy, some were wild, and many of them were phonies. For example, I quickly found out that I couldn't take these girls back to my apartment, because by their standards what I had was a disaster, and in their world appearances were everything. When I finally did get married, I married a very beautiful woman, but a woman who also happens to be a rock, just like my mother and father.

During that same period, I also met a lot of very successful, very wealthy men at Le Club. I had a good time when I went out at night, but I was also working. I was learning how the New York scene operates and I was meeting the sort of people with whom I'd eventually work on deals. I also met the sort of wealthy people, particularly Europeans and South Americans, who eventually bought the most expensive apartments in Trump Tower and Trump Plaza.

It was at Le Club that I first met Roy Cohn. I knew him by reputation and was aware of his image as a guy who wasn't afraid to fight. One night I found myself sitting at the table next to him. We got introduced, and we talked for a while, and I challenged him. I like to test people. I said to him, "I don't like lawyers. I think all they do is delay deals, instead of making deals, and every answer they give you is no, and they are always looking to settle instead of fight." He said he agreed with me. I liked that and so then I said, "I'm just not built that way. I'd rather fight than fold, because as soon as you fold once, you get the reputation of being a folder."

I could see Roy was intrigued, but he wasn't sure what the point of it all was. Finally he said, "Is this just an academic conversation?"

I said, "No, it's not academic at all. It so happens that the government has just filed suit against our company and many others, under the civil rights act, saying that we discriminated against blacks in some of our housing developments." I explained to him that I'd spent that afternoon with my father, talking to lawyers in a very prestigious Wall Street firm, and that they'd advised us to settle. That's exactly what most businessmen do when the government charges them with anything, because they just don't want bad publicity, even if they believe they can beat a phony rap.

The idea of settling drove me crazy. The fact was that we did rent to blacks in our buildings.

We wanted tenants who we could be sure would pay the rent, who would be neat and clean and good neighbors, and who met our requirement of having an income at least four times the rent. So I said to Roy, "What do you think I should do?"

And he said, "My view is tell them to go to hell and fight the thing in court and let them prove that you discriminated, which seems to me very difficult to do, in view of the fact that you have black tenants in the building." He also told me, "I don't think you have any obligation to rent to tenants who would be undesirable, white or black, and the government doesn't have a right to run your business."

That's when I decided Roy Cohn was the right person to handle the case. I was nobody at the time, but he loved a good fight, and he took on my case. He went to court, and I went with him, and we fought the charges. In the end the government couldn't prove its case, and we ended up making a minor settlement without admitting any guilt. Instead, we agreed to do some equal-opportunity advertising of vacancies for a period of time in the local newspaper. And that was the end of the suit.

I learned a lot about Roy during that period. He was a great lawyer, when he wanted to be. He could go into a case without any notes. He had a photographic memory and could argue the facts from his head. When he was prepared, he was brilliant and almost unbeatable. However, he wasn't always prepared. Even then, he was so brilliant that he could sometimes get away with it. Unfortunately, he could also be a disaster, and so I would always question Roy very closely before a court date. If he wasn't prepared, I'd push for a postponement.

I don't kid myself about Roy. He was no Boy Scout. He once told me that he'd spent more than two thirds of his adult life under indictment on one charge or another. That amazed me. I said to him, "Roy, just tell me one thing. Did you really do all that stuff?" He looked at me and smiled. "What the hell do you think?" he said. I never really knew.

Whatever else you could say about Roy, he was very tough. Sometimes I think that next to loyalty, toughness was the most important thing in the world to him. For example, all Roy's friends knew he was gay, and if you saw him socially, he was invariably with some very good-looking young man. But Roy never talked about it. He just didn't like the image. He felt that to the average person, being gay was almost synonymous with being a wimp. That was the last thing he wanted to project, so he almost went overboard to avoid it. If the subject of gay rights came up, Roy was always the first one to speak out against them.

Tough as he was, Roy always had a lot of friends, and I'm not embarrassed to say I was one. He was a truly loyal guy—it was a matter of honor with him—and because he was also very smart, he was a great guy to have on your side. You could count on him to go to bat for you, even if he privately disagreed with your view, and even if defending you wasn't necessarily the best thing for him. He was never two-faced.

Just compare that with all the hundreds of "respectable" guys who make careers out of boasting about their uncompromising integrity but have absolutely no loyalty. They think only about what's best for them and don't think twice about stabbing a friend in the back if the friend becomes a problem. What I liked most about Roy Cohn was that he would do just the opposite. Roy was the sort of guy who'd be there at your hospital bed, long after everyone else had bailed out, literally standing by you to the death.

In any case, I got to know a lot of people when I moved to Manhattan, and I got to know properties, but I still couldn't find anything to buy at a price I liked. Then, suddenly, in 1973 things began to turn bad in Manhattan. I'd always assumed the market would cool off, because everything runs in cycles and real estate is no different. Even so, I never expected things to get as bad as they did. It was a combination of factors. First, the federal government announced a moratorium on housing subsidies, which they had been giving out by the bushel, particularly in the city. At the same time, interest rates began to rise, after being so stable for so many years that it was easy to forget they could move at all. Then, to make things worse, there was a spurt of inflation, particularly in construction costs, which seem to rise even when there's no inflation anywhere else.

But the biggest problem by far was with the city itself. The city's debt was rising to levels that started to make everyone very nervous. For the first time you heard people talk about the city going bankrupt. Fear led to more fear. Before long New York was suffering from a crisis of confidence. People simply stopped believing in the city.

It wasn't an environment conducive to new real estate development. In the first nine months of 1973, the city issued permits for about 15,000 new apartments and single-family homes in the five boroughs. In the first nine months of 1974, the number dropped to 6,000.

I worried about the future of New York City too, but I can't say it kept me up nights, I'm basically an optimist, and frankly, I saw the city's trouble as a great opportunity for me. Because I grew up in Queens, I believed, perhaps to an irrational degree, that Manhattan was always going to be the best place to live—the center of the world. Whatever troubles the city might be having in the short term, there was no doubt in my mind that things had to turn around ultimately. What other city was going to take New York's place?

One of the pieces of property that had always fascinated me was the huge abandoned railyard along the Hudson River beginning at 59th Street and extending all the way up to 72nd Street. Every time I drove along the West Side Highway, I found myself dreaming about what could be built there. It didn't take a genius to realize that one hundred acres of undeveloped riverfront property in Manhattan had a lot of potential. But it was another story to consider trying to develop such a huge piece of property when the city was in the midst of a financial crisis.

I don't believe that you can ever be hurt by buying a good location at a low price. At the time, a lot of neighborhoods on the West Side were considered dangerous places to live. There were welfare hotels on every side street, and drug dealers in every park. I remember the *New York Times* running a long series of articles about the block between Central Park West and Columbus Avenue at 84th Street—what a tough area it was.

Even so, you didn't have to look very far to see how easily it could all change. Even on the tough side streets, like West 84th, there were magnificent old brownstones only a few steps away from Central Park. And on the avenues, especially Central Park West and Riverside Drive, there were beautiful old buildings with huge apartments and spectacular views. It was only a matter of time before people discovered the value.

One day, in the summer of 1973, I came across a newspaper story about the Penn Central Railroad, which was in the middle of a massive bankruptcy filing. This particular story said that the Penn Central trustees had hired a company headed by a man named Victor Palmieri to sell off the assets of the railroad. Among the assets, it turned out, were those abandoned yards in the West Sixties, as well as more yards in the West Thirties. The deal Victor made with the Penn Central was that each time his company managed to find a buyer for an asset, he got a percentage of the sale.

I had never heard of Victor Palmieri, but I realized immediately that he was someone I wanted to know. I called his representatives and said, "Hello, my name is Donald Trump, and I'd like to buy the Sixtieth Street yards." The simplest approach is often the most effective.

I think they liked my directness and my enthusiasm. I hadn't built anything yet, but what I did have was the willingness to go after things that people in a better position than mine wouldn't have considered seeking.

I went to meet Victor, and we got on very well right from the start. He was a very smooth, attractive guy, an Italian who looked like a WASP. I told him how bad the 60th Street yards were, that the neighborhood was in trouble and the city was in trouble, and that I was probably crazy to be interested in the property at all. If you want to buy something, it's obviously in your best interest to convince the seller that what he's got isn't worth very much.

The second thing I told Victor was how incredibly hard it was going to be politically to get zoning approvals for such a big piece of undeveloped land. I pointed out that the community board would fight any development, and that the process of going before the City Planning Commission and the Board of Estimate would be endless.

The third thing I did, and probably the most important, was to sell myself to Victor and his people. I couldn't sell him on my experience or my accomplishment, so instead I sold him on my energy and my enthusiasm.

Victor banks on people and he decided to take a shot on me. He ended up suggesting that I develop not only the 60th Street yards but also the yards on West 34th Street. In truth, I probably oversold myself to him. I had no other choice. I was twenty-seven years old at the time, and I had never built anything in Manhattan, nor had my father. Much as Victor liked me, I don't think he could have justified going with me if he hadn't believed our company was big and powerful. We had no formal name for the company when I met Victor, so I began to call it the Trump Organization. Somehow the word "organization" made it sound much bigger. Few people knew that the Trump Organization operated out of a couple of tiny offices on Avenue Z in Brooklyn.

The other thing I promoted was our relationship with politicians, such as Abraham Beame, who was elected mayor of New York in November of 1973. My father did belong to the same Democratic club that Abe Beame came out of, and they did know each other. Like all developers, my father and I contributed money to Beame, and to other politicians. The simple fact is that contributing money to politicians is very standard and accepted for a New York City developer. We didn't give any more to Beame than a lot of other developers did. In fact, it often seemed to me that, perhaps because we knew Beame personally, he almost went out of his way to avoid any appearance that he was doing us any special favors.

Instead I spent most of the four years when Beame was mayor trying to promote the West 34th Street site for a convention center. It was by far the best site on the merits, and we eventually got nearly every big-name New York City businessman behind us. Still, Beame never came out in support of the site until a few weeks before he left office. Nor did he ever give it his official approval. It was Ed Koch, newly elected in 1978, who finally chose our site for the convention center. No one, so far as I know, has ever suggested that Donald Trump and Ed Koch are close personal friends. But that's getting well ahead of the story.

By building a close relationship with Victor from the start, I was able, in effect, to work for him, rather than to be just another buyer. That was terrific for me. For example, we drew up agreements giving me an exclusive option to purchase the 60th Street and 30th Street yards—but subject to zoning, subject to approval by the court handling the Perm Central bankruptcy, subject to everything except my having to put up any money. The Penn Central even agreed to pay my development costs. It was remarkable in a way: the seller paying for the costs of the potential buyer. Still, you have to put it into perspective. What sounds like a stupid deal today was very different at a time when no one wanted to build anything, and the city was dying.

Palmieri, in turn, helped give me credibility with the press. When he was asked by a reporter from *Barrons* why he chose Trump over others, he said, "Those properties were nothing but a black hole of undefinable risk. We interviewed all kinds of people who were interested in them, none of whom had what seemed like the kind of drive, backing, and imagination that would be necessary. Until this young guy Trump came along. He's almost a throwback to the nineteenth century as a promoter. He's larger than life."

At one point, when I was hyping my plans to the press but in reality getting nowhere, a big New York real estate guy told one of my close friends, "Trump has a great line of shit, but where are the bricks and mortar?"

I remember being outraged when I heard that, and I didn't speak to this guy for more than a year. But looking back, I can see he was right. It could all have gone up in smoke. If I hadn't managed to make one of those first projects happen, if I hadn't finally convinced the city to choose my West 34th Street site for its convention center and then gone on to develop the Grand Hyatt, I'd probably be back in Brooklyn today, collecting rents. I had a lot riding on those first projects.

On July 29, 1974, we announced that the Trump Organization had secured options to purchase the two waterfront sites from the Penn Central—West 59th Street to West 72nd

Street, and West 34th Street to West 39th Street—at a cost of $62 million. With no money down. The story made the front page of the *New York Times*.

My original idea was to build middle-income housing on the sites at rents that seem ridiculously cheap today—$110 to $125 a room—but were considered moderately high at the time. I planned to seek financing from the Mitchell-Lama program, through which the city provided low-interest long-term mortgages and tax abatements to builders. The program had been initiated to encourage middle-income housing.

The month before our announcement, Victor and I and some of his people met with Abe Beame to sound him out about our development plans. Although he was encouraging, from the moment we went public he refused to take any position until our plan had been considered by city agencies, including the City Planning Commission, the Board of Estimate, and the local community boards. He was a politician, and he wanted to see which way the winds were blowing before he took a stand.

No sooner had I announced my plans publicly than other bidders for the railyards suddenly came out of the woodwork. Starrett Housing, for example, a company we were partners with on the Starrett City housing project in Brooklyn, made a bid of $150 million, contingent on financing and city approvals and all the rest. On the face of it, their bid was a lot higher than mine.

I'm the first to admit that I am very competitive and that I'll do nearly anything within legal bounds to win. Sometimes, part of making a deal is denigrating your competition. In this case, I happened to genuinely believe that the Starrett bid wasn't legitimate, that the company would never close the deal and would not be able to successfully develop the site even if the deal did go through. The fact is that anyone can bid anything, particularly when there are all sorts of contingencies. The same thing could be said about my bid, except that by then I'd put in enough time and effort to have convinced Palmieri's people that I was very serious and very committed.

In the end, I managed to convince Palmieri that it made more sense to stick with my $62 million bid than to take a flier on Starrett.

The irony is that less than a year after I announced my plans for the site—and beat my competition—the economic situation in New York City turned from bad to much worse.

In February 1975, the Urban Development Corporation, the state agency that sold bonds to finance public housing, defaulted on more than $100 million of repayment on its bonds.

In September 1975, Beame announced that because of the fiscal crisis, the city was suspending its own plans to finance the construction of virtually all new housing.

In November 1975, the state announced that it, too, was suspending any financing of lower- and middle-income housing for the next five years—including a huge number of city projects that had already received preliminary approval.

You couldn't get up in the morning without running across some new headline about the city's fiscal crisis. I can't say that any of this made me truly fearful about the city's future. Still, when it became clear that I wasn't going to get any subsidies to build housing, I decided to try a new tack.

I'd always thought that the West 34th Street site would be perfect for a new convention center. The problem was that nearly everyone else had other ideas. For starters, the city—with the support of many prominent local businessmen—had already spent more than three years studying and trying to develop another site by the Hudson River, at 44th Street. In the planning process alone, the city acknowledged, $13 million had been spent, but people I knew told me that the number was actually closer to $30 million.

Then, just weeks after the city said it wouldn't finance any new housing, Beame announced that the city was also freezing further spending on development of the 44th Street location. I immediately hired Samuel H. Lindenbaum, a talented attorney who specialized in zoning, and who had been working until then on the 44th Street site.

The other person I hired to help with the convention center was a highly dedicated woman named Louise Sunshine, who had extraordinary political connections. Louise had been the finance director for Hugh Carey when he ran for governor in 1974. She was also treasurer of the state Democratic party. At first, she worked for me for practically no pay. Later, she became an executive in our company.

But even as I was assembling a team to promote my site, the city and state were hatching their own alternative: to put the convention center in Battery Park City, opposite the World Trade Center in southern Manhattan. In my opinion, both sites—West 44th Street and Battery Park—were terrible choices. Malting my case was another matter. I wanted to wage the battle in public, but I was an unknown. If I was going to attract attention for my site and win support for it, I had to raise my profile.

I decided to call my first news conference. Louise and Howard Rubenstein, a major New York public relations executive, helped attract support from several powerful people, including Manfred Ohrenstein, majority leader of the state senate, and Theodore Kheel, the labor negotiator, who was very powerful in New York politics. Kheel delivered a classic line at the press conference. "Placing the new convention center in Battery Park," he said, "is like putting a nightclub in a graveyard." For our part, we put up a huge banner that said, "Miracle on 34th Street," and I announced, before a ton of reporters, that I could build my convention center for $110 million—or at least $150 million less than the city had estimated it would cost to build at West 44th Street.

Not surprisingly, that raised some eyebrows and even got us some attention in the press. But there was scarcely an approving peep from the politicians. I discovered, for the first time but not the last, that politicians don't care too much what things cost. It's not their money.

In promoting my site, the first thing I pointed out wherever I went was how important it was to build a convention center. A lot of people were saying that the best solution, in light of the city's fiscal crisis, was to scrap the idea altogether.

To me, that was classic shortsightedness. For example, in the face of a sales drop, most companies cut back on their advertising budgets. But in fact, you need advertising the most when people aren't buying. Essentially, that's what I said about a convention center. Building one, I argued, was critical to reviving the city's image and, ultimately, to putting its economy back on track.

I also told anyone who would listen how great my site was, and how horrible the alternatives were. I pointed out that at 44th Street the convention center would have to be built on platforms over the water, which would be more costly, more problematic, and ultimately more time-consuming. I said that the 44th Street site was too small, that there was no room to expand it, and that because it was on the water, you'd have to cross under the crumbling West Side Highway to get to it. Finally, I made a big deal out of the fact that you needed something called a nonnavigable permit to build on the 44th Street site. A nonnavigable permit, which I became an expert about very quickly, is the federal approval required to build on certain waterways, and getting it requires an act of Congress.

I was just as rough on the Battery Park site, which was an even more ridiculous location at the absolute southern tip of the city. I pointed out how remote it was from midtown, how far from hotels and entertainment, and how inconvenient to public transportation. I also circulated a state study which concluded that building a convention center at Battery Park would require major reconstruction of the West Side Highway leading to it, as well as the addition of at least 2,000 new hotel rooms.

Most of all, I talked about what a wonderful location I had on West 34th Street. It was on the right side of the highway—the eastern side—which meant it was easily accessible. It was closer to subways and buses than the alternative sites. I continued to make the case that the center could be built more cheaply on my site, without dispossessing any tenants. Also, because my site was so big, there was plenty of room for expansion in the future. When a group of graduate students in a class taught by City Councilman Robert Wagner did a little study that rated our site the best, I managed to get hold of it and immediately christened it the Wagner Report. Its namesake wasn't thrilled.

Before long, I had everything going for me except the support of a few absolutely key people. Abe Beame was at the top of the list. Once he gave up on West 44th Street, Beame got behind Battery Park, and no matter how many great arguments I came up with for my site, he wouldn't budge. Another major opponent was John Zuccotti, a deputy mayor under Beame. He began going around town bad-mouthing my site. The reason, I'm convinced, was that he didn't want to admit that he'd wasted several years of his life and millions of dollars of public money on a location that never made sense in the first place. And that's exactly what I said publicly. I accused him of being self-serving and petty and a half-dozen other things. He got pretty riled up. The battle received a lot of media attention, and ultimately, I think, it was good for my site. It became just another way to promote my site's many advantages.

In the end, we won by wearing everyone else down. We never gave up, and the opposition slowly began to melt away. In 1977 Beame appointed yet another committee to study the alternative sites, and it concluded that we did have the best site. On that basis, Beame finally gave us his support—although not his signature—just before leaving office at the end of the year.

In January of 1978, Ed Koch took over as mayor and decided to do his own study. I figured we were back to square one. But things moved fast and once again our site came out ahead. Finally, in April 1978, the city and state announced that they had decided to purchase the 34th Street site and build the convention center there. It was a victory for me, but more symbolically than financially. For all the time I'd invested, I earned much less than I deserved—and nowhere near enough to justify the effort financially.

As my deal with the Penn Central was structured, I was paid total compensation of about $833,000 based on the $12 million price for the site that the city negotiated with Penn Central. In the end I offered to forgo my fee altogether, if the city would agree to name the convention center after my family. I've been criticized for trying to make that trade, but I have no apologies. There wouldn't be a new convention center in New York today if it hadn't been for the Trumps.

More important, the city would have saved a fortune by letting me build the center, which I very much wanted to do. Instead, Ed Koch decided, by some logic I could never understand, that because I'd helped arrange the sale of the property, it was a conflict for me to be the builder as well. Eventually, I offered the city a deal that, frankly, was ridiculous for me. I said I would bring the entire job in for less than $200 million, and that if there were any overruns, I'd pay for them myself. You won't find many builders willing to put themselves on the line that way.

Instead, the city and state decided to oversee the job—and the result was perhaps the most horrendous construction delays and cost overruns in the history of the building business. A man named Richard Kahan was put in charge of the Urban Development Corporation, and ultimately it was his job to oversee the convention center project. Richard Kahan is a nice man, but he had visions of being the next Robert Moses. It wasn't clear that he had the experience or the talent.

One of the first things Kahan did was to hire I. M. Pei as his architect. I. M. Pei is a man with a terrific reputation, but in my view he often chooses the most expensive solution to a problem—and is virtually uncontrollable. Immediately, Pei decided to design a space frame for the center—a structural system that any professional builder will tell you is one of the most difficult to build and is especially vulnerable to cost overruns. This is particularly true when you're dealing with the sort of huge space frame they needed for a convention center.

From the very start, I told Kahan and his people that it was critical to build a parking garage simultaneously. How can you have a convention center without parking? They told me that a garage would hold up the city's environmental-impact approval. "Look," I said to them, "those approvals are only going to be tougher to get later, and at the very least you should begin a separate filing for the garage now, so you can at least start the process." They ignored me, and now they have no parking, and no prospect of building any in the near future.

The choice of where to put the entrance was equally ill-considered. If you put the entrance at the west, the whole center faces the Hudson River, which is a beautiful view. Instead, they built the entrance on the eastern side of the building—facing the traffic on Eleventh Avenue.

As I watched all these mistakes being made, I became very angry and frustrated. In 1983, when it was clear the construction of the convention center was already a disaster of delays and overruns, I wrote a letter to William Stern, who by then had replaced Richard Kahan as president of the Urban Development Corporation. For a second time I offered, this time for no fee at all, to oversee the project and to assure that it would get completed quickly and without further cost overruns.

My offer was refused—and a disaster eventually turned into a catastrophe. By the time the convention center was finally finished last year, it was four years behind schedule—and at least $250 million over budget. When you add interest—the carrying costs for all those years of construction—the total cost was probably $1 billion, or $700 million over budget.

The construction was a terrible disgrace, and all the worse because no one raised a fuss about it. When I was invited to attend opening-day ceremonies in 1986, I refused. What happened at the convention center is that the city and state took a great piece of property and a great project and ruined it through terrible planning and ridiculous cost overruns. Even if the convention center is ultimately a success, it can never earn back all the money that was unnecessarily squandered to build it.

The funny thing about devoting so much time and energy to the 34th Street site is that I never considered it anything to compare with the 60th Street yards. The problem was that developing 60th Street proved even more difficult than promoting 34th Street. The community opposition was stronger, the zoning was more complicated, and the banks were highly reluctant to finance a huge residential housing project in a city still teetering on the verge of bankruptcy.

In 1979 I reluctantly let my option on the 60th Street yards expire so that I could concentrate on other deals that seemed more immediately promising.

The first one, fittingly, was with Palmieri and the Penn Central—for the purchase of the Commodore Hotel.

6
GRAND HOTEL
Reviving 42nd Street

During the period when I was trying to make something happen with the two West Side yards, I got more and more friendly with Victor Palmieri and his people. One day, late in 1974, I was in Victor's office, and I said to him, half-jokingly, "Listen, now that I've got the options on the two yards, what other properties does the Penn Central own that I can buy for nothing?"

"As a matter of fact," said Victor, "we have some hotels you might be interested in."

It so happened that the Penn Central owned several old hotels within a few blocks of each other in midtown: the Biltmore, the Barclay, the Roosevelt, and the Commodore. The first three were at least moderately successful, which meant buying them was likely to cost more money than I wanted to spend. The only one in real trouble was the Commodore, which had been losing money and defaulting on its property taxes for years.

As it turned out, that was the best news Victor could have given me. I decided very quickly that the Commodore, in the heart of New York at 42nd Street and Park Avenue, next to Grand Central Station, had potentially the best location of any of the four hotels.

I still remember walking over to look at the Commodore the day Victor first mentioned it to me. The hotel and the surrounding neighborhood were unbelievably run-down. Half the buildings were already in foreclosure. The brick façade of the Commodore was absolutely filthy, and the lobby was so dingy it looked like a welfare hotel. There was one of those sleazy flea markets operating on the ground floor with a bunch of boarded-up storefronts on either side and derelicts lying in the doorways. To most people, it would have been a very depressing scene.

But as I approached the hotel, something completely different caught my eye. It was about nine in the morning, and there were thousands of well-dressed Connecticut and Westchester commuters flooding onto the streets from Grand Central Terminal and the subway stations below. The city was on the verge of bankruptcy, but what I saw was a superb location. Unless the city literally died, millions of affluent people were going to keep passing by this location every day. The problem was the hotel, not the neighborhood. If I could transform the Commodore, I was sure it could be a hit. Convenience alone would assure that.

I went back and told Victor I was interested in making a deal for the Commodore. He was pleased, because everyone else considered it a loser. I also went to my father and told him I had a chance to make a deal for this huge midtown hotel. At first, he refused to believe I was serious. Later, he told a reporter that his initial reaction to my idea was that "buying the Commodore at a time when even the Chrysler Building is in receivership is like fighting for a seat on the *Titanic*."

I wasn't naïve. I saw potential, but I also recognized a downside. I could envision a huge home run, but I also knew that failing could bury me. From the very first day I went to work on the deal, I tried to keep my risk to an absolute minimum, and financially, I succeeded. But as the months went by, the deal became more and more complicated and difficult. I kept investing more time and more energy, and the stakes rose for reasons unrelated to money. I could talk big for only so long. Eventually I had to prove—to the real estate community, to the press, to my father—that I could deliver the goods.

The Commodore deal was basically a juggling act, but a much trickier one than I originally imagined. First, I had to keep Palmieri's people believing I was their best bet to buy the hotel, while trying to avoid, for as long as I could, putting down any cash. At the same time, I had to convince an experienced hotel operator to come in with me before I actually had a deal, knowing that such a partner would give me more credibility with the banks when I went to seek financing. And even a great partner wasn't enough. I also had to try to persuade city officials that it was in their interest to give me a totally unprecedented tax break. That savings, I knew, would make it far easier to prove to the banks that the numbers for my hotel made sense—at a time when they were loathe to lend money even for projects in good neighborhoods.

The funny thing is that the city's desperate circumstances became my biggest weapon. With Palmieri, I could argue that I was the only developer around who would even consider buying a loser hotel in a decaying neighborhood in a dying city. With the banks, I could point to their moral obligation to finance new developments as a way to help get the city back on its feet. And with city officials, I could legitimately argue that in return for a huge tax abatement, I'd be able to create thousands of new construction and service jobs, help save a neighborhood, and ultimately share with the city any profits the hotel earned.

In the late fall of 1974, I began talking seriously with Palmieri about a deal. Eight or nine months before, the Penn Central had invested $2 million on a renovation of the Commodore that was the equivalent of applying a coat of wax to a car that's just been in a major accident. Even after the renovation, the Penn Central was projecting a huge loss for 1974, and that didn't even include the $6 million that the hotel already owed in back taxes. The Commodore was a terrible cash drain on a bankrupt company.

In a short time we came up with a basic structure for a deal. In simple terms, I would take an option to purchase the hotel at a price of $10 million, subject to my being able to get tax abatement, financing, and a hotel company partner—subject, in other words, to my putting the entire deal together before I made the purchase. In the meantime, I would put down a nonrefundable $250,000 for an exclusive option. There was just one problem: I wasn't too eager to fork over even $250,000 on a deal that was still very much a long shot. In 1974, $250,000 was a huge sum of money for me. So I stalled. Contracts were drawn up, but I had my lawyers find plenty of little legal points to argue back and forth over. In the meantime, I went to work to try to put the rest of the deal together.

What I needed first, I decided, was a really fantastic design—one that would get people excited. I set up a meeting with a young, talented architect named Der Scutt. We met at Maxwell's Plum on a Friday night, and right away I liked Der's enthusiasm. When I told him what I had in mind, he immediately started making sketches on one of the menus.

The key thing, I told Der, was to create something that looked absolutely brand-new. I was convinced that half the reason the Commodore was dying was because it looked so gloomy and dark and dingy. My idea, from the beginning, was to build a new skin directly over the brick—bronze, if it could be done economically, or glass. I wanted a sleek, contemporary look, something with sparkle and excitement that would make people stop and take notice. And it was obvious to me that Der understood what I had in mind.

After we ate, I took Der and another friend back to my apartment, the tiny studio I was still living in on Third Avenue, and I asked him what he thought about my furniture. Some people would just have said, "Fantastic, great," but Der didn't do that. "There's too much of it," he said, and he started moving furniture around, and even pushed several pieces out into the hallway. When he finished, he'd managed to make the apartment look much bigger, which I liked.

I hired Der and paid him to come up with sketches that we could use in our presentations to the city and to banks. I also told him to make it appear that we'd spent a huge sum on the drawings. A good-looking presentation goes a long way.

By the spring of 1975, we were pretty far along on a design. Then, one evening in the middle of April, Der called to tell me that he'd been fired from the architectural firm he worked for, Kahn & Jacobs/Hellmuth, Obata & Kassabaum. I knew he hadn't been getting along with his bosses. At the same time, I didn't want to hold up the project. I needed the resources and the prestige of a big firm to do a job this size, and I figured it was going to be a while before Der made a new association. But he formed an association very quickly with a firm named Gruzen & Partners, and I was able to use the situation to my advantage. The Obata group desperately wanted to keep the job, and so, of course, did Der. The competition gave me an opportunity to negotiate a lower architectural fee, which I did. In the end I went with Der, and paid him a very modest fee. I also told him that doing this job would pay off big in the end. "This is going to be a monumental project," I said. "It's going to make you into a star." Der wasn't thrilled about his fee, but later he admitted that I'd been right about the impact that doing the Hyatt—and subsequently Trump Tower—had on his career.

During this same period, early 1975, I began to look for an operator for the hotel. The truth was that I knew nothing about the hotel business. I've learned a lot since then, and today I operate my own hotels. But at the time, I was only twenty-seven years old, and I'd hardly even slept in a hotel. Nonetheless, I was trying to buy this monster building, 1,500,000 square feet, and proposing to create a 1,400-room hotel—the largest since the construction of the New York Hilton twenty-five years earlier. It seemed clear that I needed an experienced operator. I also figured it probably had to be one of the large chains, and I wasn't totally wrong. The chains may not be very exciting, but they do give you access to a national reservations system, good referral business, and basic management expertise.

From the start, Hyatt was at the top of my list. Hilton seemed a little backward and old, Sheraton didn't excite me for much the same reasons, and Holiday Inns and Ramada Inn didn't have enough class. I liked the Hyatt image. Their hotels had a modern look, light and clean and a little glossy, and that was what I had in mind architecturally for the Commodore. In addition, Hyatt was very strong on conventions, which I thought could be a big business for a hotel in the Grand Central area.

I also liked Hyatt because I thought I might have more leverage with them in making a deal. Chains like Hilton and Sheraton already had hotels in New York City, and they weren't necessarily hungry to build new ones, particularly with the city in the dumps. Hyatt, on the other hand, was very successful in other cities but still had no flagship presence in New York City, and I'd heard they wanted one very badly.

In late 1974 I called up the president of Hyatt, a guy named Hugo M. Friend, Jr., and we arranged to meet. I wasn't terribly impressed with Skip Friend, but it turned out that I was right about Hyatt's desire for a New York flagship, and we began to discuss a partnership on the Commodore. Fairly rapidly, I made a tentative deal with him, full of contingencies. I was very happy and very proud of myself. Then two days later I got a call and Skip said, "No, I'm sorry, we can't do the deal that way." This became a pattern. We'd negotiate new terms, shake hands, a few days would go by, and the deal would suddenly be off again. Finally, a guy I'd become friendly with at Hyatt, a high-level executive, called. "I'd like to make a suggestion," he said. "I think you should call Jay Pritzker and deal with him directly."

I'd barely heard of Pritzker, which tells you something about how young I was at the time. I knew, vaguely, that the Pritzker family owned a controlling interest in Hyatt, but that was about all. My Hyatt friend explained that Pritzker was the guy who really ran the company. Suddenly it dawned on me why my deals kept coming apart: if you're going to make a deal of any significance, you have to go to the top.

It comes down to the fact that everyone underneath the top guy in a company is just an employee. An employee isn't going to fight for your deal. He's fighting for his salary increase, or his Christmas bonus, and the last thing he wants to do is upset his boss. So he'll present your case with no real opinion. To you, he might be very enthusiastic, but to his boss he'll say, "Listen, a guy named Trump from New York wants to make such and such a deal, and here are the pros and cons, and what do you want to do?" If it turns out his boss likes the idea, he'll keep supporting you. But if the boss doesn't like it, the employee will say, "Yes, I agree, but I wanted to present it to you."

By now it was the early spring of 1975, and I called Jay Pritzker, and he seemed happy to hear from me. Hyatt was based in Chicago, but Pritzker told me he was coming to New York the next week, and we should meet. Could I pick him up at the airport? I didn't go around in limousines at the time, so I picked him up in my own car. Unfortunately it was a very hot day, and it was extremely uncomfortable in the car. If it bothered Jay, though, he didn't show it. I realized right then that Jay is very focused when it comes to business. He can be fun-loving when he's relaxed, but mostly he's tough and sharp, and he plays very close to the vest. Fortunately I had no problem with that, so we got along pretty well. The other thing about Jay is that he doesn't much trust people in business, which is the way I tend to be. We were wary of each other, but I think there was also a mutual respect from the start.

We managed to make a deal in a short time. We agreed to be equal partners. I'd build the hotel and Hyatt would manage it once it was built. More important than coming to a tentative agreement was the fact that from then on I was able to deal directly with Jay when difficulties arose. To this day, though we've had our disagreements, the partnership is strong because Jay and I can talk straight to one another.

On May 4, 1975, we called a joint press conference and announced that we'd agreed, as partners, to purchase, gut, and fully renovate the Commodore—assuming we could get financing and tax abatement. The announcement of the partnership with Hyatt, coupled with

Der's preliminary drawings and rough construction-cost estimates, finally gave me some ammunition to bring to the banks. By then I had hired Henry Pearce, a real estate broker with a special expertise in financing. Together, we went calling.

Henry Pearce was the head of a firm called Pearce, Mayer, and Greer, and he was a fantastic guy. He was in his late sixties, but he had more energy than most twenty-year-olds, and he was unrelenting in his quest for financing for this job. His persistence helped, and so did his age. We'd go in together to see these very conservative bankers, most of whom had never heard of Donald Trump. In many ways I was much more conservative than Henry, but it reassured these bankers to see me alongside this white-haired guy with whom they'd been dealing forever.

Our pitch was very much the one I made when I first met Victor Palmieri. I would talk about the great Trump Organization and all we had done. I would push very hard the fact that we built on time and on budget, because I knew that the banks were scared to death of cost overruns, which can kill even a good loan. We would show these bankers drawings and scale models of this huge gleaming new hotel I planned to build. We would talk about how the job was going to turn the neighborhood around, how it would create thousands of jobs. We would go on and on about the fantastic, incomparable Hyatt Company, and we'd even mention the great tax abatement we hoped to get from the city. This last point would usually stir some interest, but unfortunately we were in something of a Catch-22. Until we had our financing in place, the city wasn't interested in seriously discussing tax abatement. And without tax abatement, the banks weren't very interested in talking about financing.

Eventually we decided to take a new tack. Realizing that the positive approach wasn't working, we tried to play to their guilt and their fear and their sense of moral obligation. Forget us, we'd say; you owe it to New York. The city is in trouble, but it's still a great city, and it's our city, and if you don't believe in it, if you won't invest in it, how can you expect it to turn around? If you lend millions of dollars to Third World countries and suburban-shopping-mall magnates, don't you also owe some obligation to your own city?

Nothing seemed to work. On one occasion, we found a bank that seemed ready to say yes. Then, at the last moment, the guy in charge raised some trivial technical issue that just killed the whole deal. This guy was what I call an institutional man, the type who has virtually no emotion. To him it's purely a job, and all he wants to do is go home at five and forget about it. You're better off dealing with a total killer with real passion. When he says no, sometimes you can talk him out of it. You rant and you rave, and he rants and raves back, and you end up making a deal. But when a machine says no, it's very tough. We gave this guy every argument in the world, and after listening, he didn't flinch and he didn't move. He just said very slowly and steadfastly, "The answer is no, Donald. No. No. No." After that experience, I remember saying to Henry, "Let's just take this deal and shove it." But Henry refused to give up. He and Jerry Schrager, my lawyer, kept me going, and we continued to push.

It was increasingly clear that the only way I was going to get financing was if the city gave me tax abatement. My hope rested in a program called the Business Investment Incentive Policy, which the city adopted in early 1975. It was designed, in a bad market, to encourage commercial development by providing tax abatements to developers. In the middle of 1975, I decided to approach the city, even though I hadn't found financing. To most people, that would have been ridiculous. I took it one step further. I went in and asked for the world—for an unprecedented tax abatement—on the assumption that even if I got cut back, the break might still be sufficient. In a funny way, it was like a high stakes poker game in which neither side has very strong cards so both are forced to bluff. By this point, I almost couldn't afford to walk away from the deal if I wanted to maintain any credibility. The city, meanwhile, was more desperate than ever to encourage development.

I first made my case to the city in October 1975, and it was direct. The Commodore was losing money and deteriorating fast. The Grand Central neighborhood was turning into a slum. The Hyatt hotel chain was ready to come to New York, but there was no way we could afford to put up millions to build a new hotel unless the city gave me some relief on property taxes.

The city's economic development people agreed to structure a program in which we'd effectively be partners. The city would give me a total abatement of property taxes for forty years. In return, I would pay the city a yearly fee, and a share of any profits the hotel made. The mechanism was fairly complicated. First, I would buy the Commodore from the Penn Central for $10 million, $6 million of which would immediately go to the city to pay off the back taxes. Then I would sell the hotel to the city for one dollar and they would lease it back to me for ninety-nine years. My rent, paid in lieu of all property taxes, would begin at $250,000 a year and rise by the fortieth year to $2.7 million. Also, I would pay the city a percentage of the profits. At the end, I'd be paying the equivalent of full property taxes based on the hotel's assessed value as of the time we were making our deal.

The whole arrangement was subject to approval by the city's Board of Estimate, which met to consider it for the first time in late December 1975. A week before the meeting, I went to Victor Palmieri and explained that if he wanted the city to take our abatement seriously, we had better make it clear that the Commodore was in deep trouble and that it might not survive much longer. He agreed with me. On December 12, Palmieri announced that the Penn Central had lost another $1.2 million on the Commodore during 1975, was anticipating worse losses for 1976, and as a result intended to close the hotel permanently no later than June 30, 1976.

Two days later, there was another significant announcement, which I hadn't anticipated. Portman Associates, a company that had spent the past two years trying to get financing for a huge new hotel across town in Times Square, revealed that it was scrapping the project because it had been unable to get bank support. In a way, that was bad for me, because I needed all the evidence I could get that investing in New York made sense. On the other hand, in dealing with the city, I could point to the Portman fiasco as clear proof that the only chance I had to get financing was if they gave me my tax abatement.

Early in 1976, the Board of Estimate decided to switch the structure of the tax-abatement program. Instead of my selling the hotel to the city and then leasing it back, I would do the whole deal through the state's Urban Development Corporation. The reasons were technical, but actually the change was advantageous to me. Unlike the city, the UDC has the power of condemnation, meaning the statutory right to evict quickly and efficiently—something that a private developer can spend months or even years trying to do.

By April, however, the Board of Estimate still hadn't considered my tax abatement, and opposition to it had begun to intensify. The loudest chorus came from other hotel owners. Albert Formicola, head of the city's Hotel Association, argued that the tax abatement would give me an unfair advantage competing against the other hotel owners in the city who paid Ml property taxes. The head of the Hilton, Alphonse Salamone, said he could understand a ten-year tax abatement, but that everyone ought to compete as equals after that. Even Harry Helmsley, who was more successful and less envious than most of my competitors, said he thought the deal was a little excessive. Just before the Board of Estimate vote, three city councilmen held a news conference in front of the Commodore to denounce the deal. I didn't take it personally. They were politicians. They sensed an issue that might play with the voters and the press, so they jumped on the bandwagon.

I worried about the growing opposition, but publicly my posture was to take the offensive and concede nothing to my critics. When a reporter later asked me why I got a forty-year tax abatement, I answered, "Because I didn't ask for fifty."

The basic case against us was that the city was giving me too rich a deal. The length of the tax abatement was only part of it. In addition, critics said, there shouldn't be a cap on the profits I shared with the city. Also, if my maximum rent was going to be equivalent to the full property-tax assessment as of 1974, then that number should at least be adjustable, so that it could take into account the possibility that real estate values—and assessments—might rise over the years.

If I'd been the city official in charge of negotiating with me, I might have made those same arguments. But while other hotel owners were great at carping, not one of them made an alternative offer for the Commodore. Admittedly, most everyone assumed I had an exclusive option on the property—and it helped that the city didn't dispute that. Several months earlier, a city official had requested that I send along a copy of my option agreement with the Penn Central. I did—but it was signed only by me, and not the railroad, because I had yet to put down my $250,000. No one even noticed that until almost two years later, when a reporter doing a story on the deal called the city and asked to see the original agreement.

Two weeks before the Board of Estimate was scheduled for the third time to vote on my plan, an alternative offer finally was made for the Commodore. It came from a company that owned a bunch of low-rent hotels in bad neighborhoods. If the city could get title to the Commodore, these people said, they'd be willing to buy it, put up a couple of million dollars toward a renovation, share all profits with the city, and forgo a cap. Because it was a half-baked offer from a questionable group, I think it actually helped my case. The last thing the Commodore needed was a second-rate renovation by a third-rate hotel operator.

The clincher, I'm convinced, came from Palmieri and Penn Central. The one thing that nobody wanted was to see the Commodore shut down and boarded up. On May 12, Palmieri announced that the Penn Central was going to close the Commodore permanently in six days—exactly one day before the Board of Estimate had scheduled, for the fourth time, a vote on my tax abatement. Immediately, the critics called the announcement a pressure tactic. I can't say I was unhappy about the timing, but the fact was that the Penn Central had revealed six months earlier its plans to close the hotel by summer. In the meantime, occupancy had dropped from 46 percent the previous year to 33 percent. Moreover, losses for the full year of operation in 1976 were projected at $4.6 million.

On May 19, all the local papers carried front-page stories about the last tenants moving out of the Commodore, the hundreds of employees who were now looking for work, and the dread that local shopowners were feeling in anticipation of a boarded-up hotel. The stories certainly didn't hurt me. On May 20, the Board of Estimate voted unanimously—8 to 0—to give me the full tax-abatement program I'd sought. Over the course of the forty years, that abatement will save me tens of millions of dollars. The battle was more than worth it.

Whatever my critics may have felt, a *New York Times* editorial ten days later made my case better than I could have. "The alternative," said the editorial, "is the Commodore boarded up and in tax arrears. Beyond the tax loss, this would be a visual wound and a serious depressant for one of the city's prime areas."

But incredibly, getting the tax abatement still didn't convince the banks we had a viable enterprise. When you look back, it seems almost hard to believe that the banks could doubt our numbers. What it shows you is how bad things were. In 1974, the Commodore was charging an average of $20.80 a night for a room, and as long as occupancy remained above 40 percent, the hotel nearly broke even. In our entirely new hotel, we projected charging an average of $48 a night for our rooms, with an average occupancy rate of 60 percent. Those were hardly great numbers, but the banks insisted we were being too optimistic. As it turned out, by the time we opened our doors in September 1980, the city had turned around, and we were able to charge $115 for a single room, with an average occupancy of more than 80 percent. By July 1987, we'd raised the room rate to $175, and now we average almost 90 percent occupancy.

In the end, we got our financing from two institutions. The first was Equitable Life Assurance Society, which, in addition to its other businesses, owns a lot of real estate. George Peacock, the head of Equitable Real Estate, agreed to put up $35 million for the Grand Hyatt, primarily because he and his people thought it would be good for the city. The other institution was the Bowery Savings Bank, which happened to have its headquarters right across the street from the Commodore and agreed to lend $45 million. Their motivation was practical: they didn't want to see their own neighborhood go to hell.

I could have saved millions and millions of dollars just by refurbishing the old Commodore rather than creating a brand-new building. Indeed, almost everyone fought against my spending the extra money on a major renovation. From the day we went public with our plans to cover the Commodore's brick façade with an entirely new curtain wall of highly reflective glass, critics and preservationists were furious. They were outraged that I wasn't making some attempt to fit in with the architecture in the rest of the neighborhood—the classical look of Grand Central Station and the ornamented limestone-and-brick office buildings up and down the block.

In my view, staying with that look would have been suicide. I said to these critics, "Hey, fellas, do me a favor and don't tell me about these great monuments, because the Chrysler Building is in foreclosure, the neighborhood is a disaster, and it's obvious something's not working. If you think I'm going to leave the façade of the old Commodore the way it is, you're crazy. There's no way."

It's strange how things can turn around. Many of the same critics and preservationists who hated the original concept of my building now love it. What they discovered is that by choosing this highly reflective glass, I've created four walls of mirrors. Now when you go across 42nd Street or go over the Park Avenue ramp and look up at the Grand Hyatt, you see the reflection of Grand Central Terminal, the Chrysler Building, and all the other landmarks, which otherwise you might not have noticed at all.

The other new element that had a dramatic effect was the lobby. Most hotel lobbies in New York are dull and unexciting. I was determined to make ours an event, a place people wanted to visit. We chose a luxurious brown paradisio marble for the floors. We used beautiful brass for the railing and columns. We built a 170-foot glass-enclosed restaurant pitched out over 42nd Street, which no one had ever done before. I'm convinced that if I'd left the Commodore the way it was—old and dull and nondescript—it would have had absolutely no impact, and it wouldn't be doing the business it is doing today.

The Grand Hyatt opened in September 1980, and it was a hit from the first day. Gross operating profits now exceed $30 million a year. Hyatt's job was to manage the hotel, so my role was essentially over. But the fact is I still had a 50 percent interest, and I'm not exactly the hands-off type. That caused some problems at the start. I would send over one of my executives, or more often my wife, just to see how things were going, and Hyatt wasn't happy about that. One day I got a call from the head of all the Hyatt Hotels, Patrick Foley, and he said, "Donald, we have a problem. The manager of the hotel is going nuts, because your wife comes by, and she'll see dust in the corner of the lobby and call over a porter to clean it up. Or she'll see a doorman in a uniform that's not pressed, and she'll tell him to get it cleaned. Unfortunately, my manager happens to be a guy who has a problem with women to start off with. But in his defense, he's running a hotel with 1,500 employees, and there's got to be a chain of command or else a business like this just doesn't work."

So I said to Pat, "I understand what you're saying, and I agree with you that it's a real problem, but as long as I own fifty percent of the building, I'm not going to walk in and make believe everything's fine if it isn't." Pat suggested we meet the following week. I wanted to work this out because I like Pat, and I respect him, and I think he is an extraordinary executive. Pat has one of those great Irish personalities. He'll walk through the Hyatt Regency in Washington, D.C., or West Palm Beach, Florida, and he'll know everyone's name, he'll remember their families, he'll kiss the chef, tell the porter he's doing a great job, say hello to the lifeguard and the maids. By the time he leaves an hour later, everyone feels uplifted, like they're ten feet tall.

So I met with Pat, and he said, "I've decided what to do. I'm going to change managers. I'm going to put in one of my best guys. He's Eastern European, like your wife. He's also very flexible, and they'll get along great. That way, she can come in and talk to anyone she wants, and everyone will be happy."

Sure enough, Pat made the switch, and then his new manager did something brilliant. He began to bombard us with trivia. He'd call up several times a week, and he'd say, "Donald, we want your approval to change the wallpaper on the fourteenth floor" or "We want to introduce a new menu in one of the restaurants" or "We are thinking of switching to a new laundry service." They'd also invite us to all of their management meetings. The guy went so far out of his way to solicit our opinions and involve us in the hotel that finally I said, "Leave me alone, do whatever you want, just don't bother me." What he did was the perfect ploy, because he got what he wanted not by fighting but by being positive and friendly and solicitous.

As successful as our partnership has turned out to be, there was one small clause in the deal that I think may be even more valuable than my half-ownership of the Grand Hyatt. It's something called an exclusive covenant, and its effect is to permanently prohibit Hyatt from building competing hotels in the five boroughs of New York without my permission.

I first tried to get the covenant from Jay Pritzker at the time we made our deal, but he refused. Jay is a smart guy, and he wasn't about to foreclose the future expansion of his hotel chain in one of the biggest cities in the world. We finally got to the closing, and just before we all sat down, I was alone with an executive from the bank. I pointed out that this was a rather big and risky investment the bank was making, and that one way to further protect the loan might be to insist on a restrictive covenant, so that Hyatt couldn't throw up a second hotel two years later, right down the street. The banker saw the implications immediately. He stormed into the room where the Hyatt people were sitting, and he said, "Hey, fellas, we're putting up tens of millions of dollars, which is a lot of money, and we're not going to make this loan unless we get a covenant from Hyatt saying you won't open up any other hotels in New York."

I was taking a chance, because right then and there the whole financing could have fallen through. But what I had going for me was that Jay Pritzker wasn't at the closing. The executive representing Hyatt tried to reach Jay, but it turned out he was off in Nepal, mountain climbing, and he couldn't be reached. Meanwhile, the bank gave Hyatt one hour to make a decision, or that was the end of the financing. While we were waiting, I wrote up a covenant myself. In effect, it said that Hyatt can't open any competing hotels in the New York area, including the two airports. The only exception is the right to build one small luxury hotel—which I don't believe would be economically feasible anyway. And before the hour was up they agreed to sign the document I'd written.

I now have in my will a clause describing the importance of that restrictive covenant, just on the chance that one of my heirs happens not to be that sharp. What I don't want, after I'm gone, is for some nice, smooth person from Hyatt to come to one of my heirs and say, "Listen, you wouldn't mind if we threw up a little noncompetitive hotel at Kennedy Airport, would you?" The simple fact is that Hyatt would love to build more hotels. By retaining the right to say yes or no, I own something very valuable.

I've already seen the proof. A. N. Pritzker, a wonderful man who was the patriarch of his family and who died recently, used to call me frequently when he came to New York. A.N. and his son Jay were very different men. What they had in common was brilliance, but where Jay keeps very much to himself, A.N. was extremely effusive and outgoing, almost a teddy bear. They were a perfect combination. A.N. built the foundation of the company from nothing, and he got the banks to back him not because he had great assets but because they loved him. Now the company has a huge base, and Jay, who is a much cooler personality, doesn't need the banks to love him. He can be very tough and they still want to do business with him.

Anyway, A.N. would come to New York, and he'd call and he'd say "Hi ya, Don, I'm here visiting, and I'd love to stop over and just say hello to you for a couple of seconds." And I'd say, "A.N., I know what you're doing. You want to build a hotel someplace in New York, don't you?" And he'd say, "I'd love you to let us do that, Don, because it's not going to hurt you, and it's good for us, and it's good for everyone." And when A.N. would do that, I'd find some way of changing the subject, because I liked him so much that I never had the heart to say no to him directly.

There are very few people I feel that way about. A.N. died in 1986, and I happened to have an extremely important business meeting in my office on the day of his funeral in Chicago. It was a deal I very much wanted to make, and I'd been planning it for months, and people were flying in from all over to be there. But I canceled the meeting in order to go to Chicago, and as it turned out, I was never able to make that particular deal. I have no regrets. There are some people in your life you just want to pay your respects to, no matter what it involves. And in the end, I think one reason my partnership with Hyatt has remained so strong—beside the fact that the hotel has been so successful—is that I always felt such affection for A. N. Pritzker.

7
TRUMP TOWER

The Tiffany Location

It was not an auspicious start, my meeting with Franklin Jarman.

From the time I took an apartment in Manhattan in 1971 and began walking the streets, the site that excited me the most was the eleven-story building at 57th Street and Fifth Avenue that housed Bonwit Teller. The main attraction was location, but in addition, it was on an unusually large piece of property. In my mind, that combination made it perhaps the greatest single piece of real estate in New York City. There was the potential to build a great building in a prime location.

Bonwit was owned by Genesco, a company founded in the late 1950s by a gentleman named W. Maxey Jarman, who built it into a real high-flying conglomerate. Maxey started off with a shoe company, and then he began buying other shoe companies, and eventually he moved into retail stores, purchasing Tiffany and Henri Bendel, and Bonwit Teller. But then, in the mid-1970s, a tremendous battle began to take shape between Maxey and his son, Franklin. They were both strong guys with their own ideas and they both wanted control. It became so bitter that they finally came to blows at a stockholder meeting. Since I am so close to my father, I found the whole thing hard to believe, but the bottom line was that Franklin finally managed to push his father out and take over. And so, in 1975, it was Franklin I called to discuss my interest in Bonwit.

At the time, I really had no track record. I was trying to get the Grand Hyatt off the ground, and I was still fighting for my convention center site, and nothing had yet gelled. But for whatever reason, Franklin Jarman was willing to see me. We met, and I told him straight out that I would love to buy the Bonwit Teller store and building. I knew this was a tough sell, so I tried to find ways to make the deal sound more attractive. I suggested, for example, that I would build above his store, and that he could keep it open during construction. That's not really feasible, but the point was that I would have done almost anything to get that piece of property.

Even before I'd finished my pitch, I could see from the look on Franklin's face that he thought this was perhaps the most preposterous thing he had ever heard. When I was done, he said to me, very politely, but also very firmly, "You've got to be crazy if you think there's any way we'd ever sell this incredible site." We shook hands and I left, believing that under no circumstances would I or anybody else ever purchase this property. It was a dead issue.

Even so, I didn't give up. I began writing letters to Franklin Jarman. First, I wrote to thank him for seeing me. A couple of months later, I wrote to ask if he might reconsider. When I got no answer and a few more months had gone by, I wrote again and said I'd love to drop by and see him again. More time passed, and I wrote another letter, suggesting a whole new way to make the deal. I was relentless, even in the face of the total lack of encouragement, because much more often than you'd think, sheer persistence is the difference between success and failure. In this case, Franklin Jarman never budged from his original position. But as it happened, the letters I wrote eventually did have an impact.

Almost three years passed after my first meeting with Franklin. During that time, Genesco began to experience very serious financial problems. I didn't give any of it a second thought until one evening in June 1978, when I picked up *Business Week* magazine and read an article about a management change at Genesco. The banks, trying to save the company from declaring bankruptcy, had insisted that a new chief executive be put in charge. The man's name was John Hanigan, and he was something of a turnaround artist. He'd just successfully saved AMF-Brunswick, which had been ready to go down the drain. His specialty was something called pruning, which is just a nice way of saying that he took companies apart. In other words, he'd sell, sell, sell the assets, get rid of the debt, and pay off the banks. The key, for a guy like Hanigan, was that he came to companies without any emotional attachment to its people or its products. As a result, he had no trouble being ruthless. He was a tough, smart, totally bottom-line-oriented guy.

At nine sharp, the morning after I read the article, I called Genesco, and I got Hanigan on the phone. He'd just begun his new job, but to my surprise, he said, "I'll bet I know what you're calling about."

"You do?" I said.

And he said, "Yeah, you're the guy who has been writing all those letters about wanting to buy Bonwit Teller. When would you like to meet?"

"As soon as possible," I said.

He said, "Can you be here in half an hour?"

It just shows you that sometimes making a deal comes down to timing. Somebody else might have called him a few days or a few weeks before me, and the whole thing could have turned out differently. Instead, I went to see him, and we had a very good meeting. It was clear that the company needed cash very badly and very quickly, and that he had no reluctance about selling Bonwit, or any other asset, for that matter. It was like a giant garage sale. By the time I left, I thought there was a good chance we'd make a deal very quickly.

Then something funny happened. Jack Hanigan suddenly refused to take my phone calls. I must have called him ten or fifteen times over a period of the next several days, but I never got through. I figured that some other bidder had come along, and that in any case I was in trouble. I asked Louise Sunshine to speak to her friend Marilyn Evans, whose husband, David, owned a shoe company that he'd sold to Genesco several years before. He'd become a fairly large stockholder in Genesco, and that gave them some clout. Marilyn said they'd speak to Hanigan on my behalf, and almost immediately he called me back. I never found out what the delay had been about, but Hanigan suggested we have another meeting. This time I brought my lawyer, Jerry Schrager, and we were able to make a deal. It was really quite simple. Genesco owned the Bonwit building but not the underlying land. For the land, they had a lease with twenty-nine years left to run. I agreed to buy the building and their land lease for the sum of $25 million.

In my mind, that was just a first step. In order to put up the building I had in mind, I was going to have to assemble several other adjacent pieces—and then seek numerous zoning variances. That's often the situation in New York real estate, but in this case I was dealing with an exceptionally prestigious, visible site, which meant every move I made was going to be unusually difficult, and very carefully scrutinized.

My most immediate problem was trying to keep the deal secret. I was convinced that if anyone got wind of the fact that the Bonwit site was up for sale before I signed a contract, I'd never make the deal. Once the Bonwit store went on the open market, everyone in the world was going to be after it, and the asking price would go right through the roof. That's why, after I'd shaken hands with Jack, I said to him, "Listen, I'd like to draw up a quick, simple letter of intent that says that I've agreed to buy the property for $25 million, and you've agreed to sell it—subject only to the drawing of reasonable documents. That way, neither of us can walk away from the deal." To my surprise, Jack said, "Well, that sounds reasonable." Now Jack is a very smart man, but he wasn't a New York guy, and he didn't realize how hot this property was—so valuable that even in the middle of a depression, there'd still be people lined up to buy it.

Jerry and I drew up the letter of intent right then and there. Jack read it, and the only change he made was to stick in a clause making the sale subject to approval by his board of directors. When he handed it back to me, I said to him, "Listen Jack, I can't live with that clause. In three or four weeks, you might tell your board of directors not to approve the deal, and that would defeat the whole idea of this letter of intent." Then I asked whether he needed approval from the board of directors to sell the store. He said he didn't, and I said, "Let's just take this one clause out." He gave it a little thought and finally he agreed. I left the meeting with a deal—and something on paper to confirm it.

Once I had the letter of intent from Jack Hanigan—but before I had a contract—I went to see a man named Conrad Stephenson at the Chase Manhattan Bank. My father had always done his business with Chase, and so I figured that was the best place to go first for the $25 million I needed to make the Bonwit purchase. I explained the deal to Connie—that I was buying the Bonwit building and their land lease, which had twenty-nine years left to run, and that I hoped to put up a great skyscraper on the site. Immediately he said, "Unless you own the underlying land, that's not a long enough lease to justify financing." In other words, he was reluctant to put up money for me to purchase a site that twenty-nine years later—when my lease ran out—could be taken over by the owner of the underlying land. But I'd taken that into consideration. I said to Connie, "Look, I've got two alternatives, and I think either one could work."

The first one, I told him, was to do a very inexpensive conversion into an office building, with retail on the ground floor. Because I'd be paying such a low rent through the remainder of the lease—$125,000 a year, which was peanuts, even then—I was confident I'd be able to pay off my mortgage and still make a nice profit over the next thirty years. But Connie wasn't totally convinced, and even I considered the first option my worst-case scenario.

What I really wanted to do, I explained, was to purchase not only the building and the lease but also the underlying land. Then, I said, I could build a big building without risk of losing it at lease expiration. When I told Connie that the owner of the underlying land was the Equitable Life Assurance Society, he got excited for the first time. That, we both agreed, gave me a leg up, since I already had a great relationship with Equitable. They'd put up a big percentage of the financing for the Hyatt, and by this time the hotel was under construction, things were going very well, and everyone was feeling terrific about the deal.

The next thing I did was to set up a date to see George Peacock, the head of Equitable Real Estate. It was September 1978, just a month since I'd first sat down with Jack Hanigan. George and I met and I told him I was in the process of purchasing the Bonwit lease, for which Equitable owned the land, and that I saw a chance to forge a partnership that could be very good for both of us. I would contribute my lease, I said, if they would contribute their land. Together, as fifty-fifty partners, we'd build a great new residential and office building on this incredible site.

Equitable could have chosen simply to hold on to the site until the Bonwit lease ran out, and then own it outright. But the downside, I pointed out to George, was that then they would have to settle for a meager annual rent from a lease negotiated long before the value of New York real estate had begun to escalate. I also told George that my other option was to renovate the existing building and earn a more modest but still decent profit over the next thirty years. In truth, I was no longer certain that I could get financing for such a deal, but I didn't want him to think that a partnership with Equitable was my only option. Then he'd just feel free to drive a much harder bargain with me. Fortunately, George took to the idea of a partnership almost immediately. He was skeptical that I'd get the zoning necessary to build the huge building I had in mind, but he'd also seen what I'd achieved with the Commodore. By the time I left his office, he'd given me a commitment—subject to my delivering on my promises. Once again, I found myself juggling provisional commitments.

My next move was to use my first two commitments—for the Bonwit lease and the Equitable land—to try to get a third, from Tiffany. Specifically, I wanted to buy the air rights above Tiffany, which was directly adjacent to the Bonwit site at the corner of 57th and Fifth. By purchasing those rights I'd get something called a merged zoning lot, which would allow me to build a much larger building. Unfortunately, I didn't know anyone at Tiffany, and the owner, Walter Hoving, was known not only as a legandary retailer but also as a difficult, demanding, mercurial guy. Even so, I'd always admired Hoving, because everything he'd ever touched had turned to gold. When he ran Lord and Taylor, it was the best, and when he ran Bonwit Teller, it was the best, and so long as he ran Tiffany, it was the best. I'd seen him at parties, and he was a man with impeccable manners, perfect white hair, beautifully tailored suits, and an imperial style. If you were casting a movie about the president of Tiffany, Walter Hoving would get the part.

I decided to be very direct. I called Hoving on the phone and introduced myself. I was very polite and very respectful, and he agreed to see me. By this time Der Scutt had done a scale model of the building I hoped to build, as well as one for an alternative building, in the event that I didn't get Tiffany's air rights. I brought both models to the meeting. I said to Hoving, "Look, I want to buy your air rights, because that will allow me to build a much better building that you yourself will like much more. By selling me air rights, you will preserve Tiffany forever. No one will ever be able to build over it, and therefore no one will ever try to rip it down." The other reason to sell, I told Hoving, was that if I didn't have his air rights, for technical reasons the city would require me to put in lot-line windows—tiny little windows with wire mesh, which would look absolutely horrible, rising up fifty stories directly over Tiffany. With his air rights, on the other hand, I'd be permitted to put in beautiful picture windows on the side of the building overlooking Tiffany.

At that point I showed Hoving the two models—one a magnificent building, which is essentially the design of Trump Tower today, the other my hideous alternative. “I’m offering you five million dollars,” I said to Walter Hoving, “to let me preserve Tiffany. In return you’re selling me something—air rights—that you’d never use anyway.”

Hoving had been at Tiffany almost twenty-five years. He’d built it into an incredible success, and naturally he took great personal pride in his creation. I was playing to that, and it worked. He immediately liked my concept. “Look, young man,” he said, “I am going to make a deal with you at the price you’ve suggested. I just hope that you do as nice a job as you say you will, because I want to be proud of it. In the meantime, I have one small problem. I’m going away with my wife for a month, and I won’t have time to devote to this until I get back.”

Immediately I started to get nervous. I said, “Gee, Mr. Hoving, that’s a big problem, because if I have your air rights, I can build a totally different building, and that’s the basis on which I’m going to seek my zoning variance. If for some reason you change your mind while you’re away, I’ll have done a great deal of architectural work and zoning work which I’ll just have to throw out.”

Walter Hoving looked at me as if I’d insulted him. “Young man,” he said, “perhaps you didn’t understand. I shook your hand. I made a deal with you. That’s that.” I was speechless. You have to understand where I was coming from. While there are certainly honorable people in the real estate business, I was more accustomed to the sort of people with whom you don’t want to waste the effort of a handshake because you know it’s meaningless. I’m talking about the lowlifes, the horror shows with whom nothing counts but a signed contract.

With Walter Hoving, I realized, I was dealing with a totally different type—a gentleman who was genuinely shocked at any suggestion that he might renege on a deal. He also had a way of talking down, so that he actually made me feel a little guilty for even suggesting that anything could possibly go wrong in our deal.

As it happened, Walter Hoving went away, and no sooner had he left than Philip Morris made a deal to buy the air rights over Grand Central at a price far in excess of what I’d agreed to pay for the Tiffany air rights, which were in a much better location. Then, during that same month, several more air-rights deals were made, also for very big numbers. Quite simply, New York City was recovering, and the real estate market was beginning to go through the roof. I knew Hoving was honorable, but I couldn’t help worrying about how he was going to feel when he heard about those other deals.

Several days after he returned, we met to talk over some points in our deal. Sure enough, even as we sat down, two of his executives began to try to talk him out of making the deal by pointing out what had happened in the market. I was upset, but I could see very quickly that Hoving was even more upset. “Gentlemen,” he said, “I shook hands with this young man over a month ago. When I make a deal, that’s the deal, whether it’s a good one or a bad one. And I trust I won’t have to explain myself again.” That was the end of that.

Later, I heard that Hoving went even a step further. During this same period he’d apparently decided to make another deal, much bigger than the one with me: to sell Tiffany to the Avon Corporation. I thought Avon was a rather second-rate buyer for a classy store like Tiffany. On the other hand, they’d offered to pay such an inflated price that I couldn’t blame

Hoving for agreeing to sell. However, as one of the conditions of its purchase, Avon wanted Hoving to agree not to go through with the air-rights deal with me. Hoving, I heard, stood totally firm. If Avon had a problem with the air-rights deal, he told their executives, then they didn't have to buy his store. They dropped the demand and bought the store, and my deal went through.

Walter Hoving was just a totally honorable, totally classy man. That's exactly what made him such a brilliant retailer, and it's why Tiffany has never been the same since he left. I'll give you a small example. Hoving had a policy at Tiffany that when his best customers came in, they could pick out what they wanted, sign for it, and be billed later. It was very simple and very elegant. No sooner did Avon take over than their team of accountants started instituting new policies, including the introduction of little blue plastic Tiffany credit cards. That was fine, except that all of a sudden Tiffany's best customers were told that they, too, had to use the little plastic cards. It was not only stupid, it was self-defeating. You want your best customers to feel special.

Before very long, Hoving, who'd agreed at first to stay on as a consultant, got fed up and left. That just made things worse. As long as Hoving ran Tiffany, for example, you'd never see peddlers out front on the street, selling fake watches and cheap jewelry, blocking pedestrians, and degrading Fifth Avenue. Whenever Walter Hoving saw a peddler, he'd go to his people, and he'd start screaming, in his dignified manner, "How dare you let them do that?" And within minutes, the peddler would be gone. But as soon as Hoving left, a dozen street peddlers immediately set up shop in front of Tiffany, and they haven't moved since. However, I learned a lesson from Walter Hoving. I now employ some very large security people who make absolutely sure that the street in front of Trump Tower is kept clean, pristine, and free of peddlers.

Once I got Tiffany's air rights, there was just one more parcel I needed. Adjacent to Tiffany's along 57th Street and leased by Bonwit was a tiny site, perhaps 4,000 square feet, that was critical if I was going to build the building I had in mind. Under the zoning regulations, you're required to have a minimum of thirty feet of open space—a rear yard—behind any building. Without this last piece, I would have been forced to chop the rear yard out of the building we'd already designed, and that would have been a disaster.

The piece I wanted was owned by a man named Leonard Kandell. By buying the overall Bonwit lease, I effectively controlled the site, but once again, my problem was a short lease. It had less than twenty years to run and also included provisions that made any zoning changes practically impossible. Fortunately, Leonard Kandell, like Hoving, is a totally honorable man. Leonard began in real estate by buying apartment buildings in the Bronx in the thirties and forties. But unlike most small landlords, he decided to get out when he saw rent control coming. He sold all his buildings and came to Manhattan, where he began buying up leaseholds on prime property—meaning the land under buildings. As the market rose, Leonard became very rich, and with none of the problems of having to run the buildings himself. Meanwhile, the landlords who stayed in the Bronx went down the tubes, because, sure enough, rent control proved to be a disaster for them.

One reason I'd left Brooklyn and my father's business was to escape rent control, and so from the start Leonard and I had an affinity. My problem was that Leonard wasn't a seller. It wasn't a matter of price, or that he had any particular attachment to his 57th Street parcel. It was simply that Leonard didn't sell *anything*, on the theory that in the long run, land prices in Manhattan were headed in only one direction and that was up. He was exactly right, of course, and though we got along fine, Leonard wouldn't budge. Then one day I discovered an unexpected bonus in my Tiffany deal. I was reviewing my air-rights contract when I came across a clause that gave Tiffany an option to purchase the adjoining Kandell property within a certain time frame.

I said to myself, Holy Christmas, this could give me a lever to make a deal with Leonard. So I went back to Walter, and I said, "Listen, you're never going to buy that Kandell site, so would you mind if I also bought your option, as part of my deal?" Walter agreed, we put it into my deal, and immediately I exercised the option. At first, Leonard took the position that I didn't have the right to exercise the option because it belonged to Tiffany and therefore was nontransferable. Leonard may have been right but it was also possible, in a litigation, that I would win the right to exercise the option.

When I pointed this out to Leonard, we sat down together, and in no more than twenty minutes, we made a deal that was good for both of us. I agreed to withdraw my exercise of the option, and in return, Leonard agreed to extend my lease on the site from twenty years to one hundred years, which was long enough to make it financeable. He also rewrote the lease to eliminate any prohibitions against rezoning. And while I agreed to pay a slightly higher rent, it was still very low for a long lease on such a prime site. Leonard and I shook hands, and we've remained very good friends.

It's funny how things turn around. Leonard is an older man, and in the past couple of years, he's begun giving thought to his heirs and his estate. Early in 1986, he called and said he'd like to make me a gift of a 15 percent interest in the land under the Ritz Carlton hotel on Central Park South, which is one of his more valuable holdings. In addition, he gave me control over the disposition of the land when the hotel's lease comes up in approximately twenty-five years. His purpose, Leonard told me, was to put the land in the hands of someone he thought would get the most value from it—which in turn would benefit his heirs, who retain a majority ownership. Leonard is a very generous man and he is also very smart. I'll be fighting like hell for the Kandell family.

By the time I got the Kandell site on 57th Street, it was December 1978, and I was in a delicate situation. I'd pieced together everything I needed, I'd managed to keep the deal completely secret, but I still had no contract with Genesco. As 1979 began, my lawyers were still discussing a few final points with the Genesco lawyers, and we expected to sign contracts no later than February. But in mid-January, word finally began to leak out to the real estate community that Genesco might be making a deal to sell the Bonwit site. Just as I'd predicted, Genesco was immediately besieged with interested buyers for the property, among them wealthy Arabs with oil-boom money to burn. And sure enough, Genesco suddenly began trying to back out of the deal. Even as our contract was being prepared, it became clear that if Genesco could find a way to break the deal, it would.

It was then that I thanked my lucky stars I'd gotten that one-page letter of intent from Jack Hanigan. Without it, there was zero chance my deal would have gone through. I'm not at all sure the letter would have proved legally binding, but at the very least I could have litigated it and held up any sale of the Bonwit property for several years. Naturally, I let Genesco know I fully intended to do just that if they reneged on my deal. With creditors breathing down their necks, Genesco, I knew, didn't have a lot of time.

On the morning of January 20 I got a call that proved to be a blessing. It was from Dee Wedemeyer, a reporter from the *New York Times*, who wanted to know if it was true that I was about to make a deal with Genesco to buy the Bonwit building. Genesco, still seeking a way out, had declined to give Wedemeyer any comment. But I decided to take a calculated risk. I'd tried very hard to keep the deal as secret as possible until I had a signed contract, because I didn't want to prompt a bidding war. But now the rumors were circulating, and I had a seller who was balking. So I confirmed for Wedemeyer that I'd reached an agreement with Genesco for the property—and that because I anticipated building a new tower on the site, Bonwit would most likely be closed within the next several months.

My idea was to put public pressure on Genesco to live up to their agreement. What I didn't calculate was a secondary benefit. No sooner did Wedemeyer's article appear the next morning than all of Bonwit's best employees began heading over to Bergdorf Goodman, Saks Fifth Avenue, and Bloomingdale's to look for new jobs. Suddenly Bonwit began losing its best people in droves, and it was becoming almost impossible to run the store. That, I believe, was the straw that broke Genesco's back. Suddenly, they stopped balking. Five days after the *New York Times* article appeared, we signed our contract. The company's desperation saved my deal.

On the other hand, desperation can be a double-edged sword. Because Genesco needed cash so badly, and so quickly, they insisted on a very unusual contract. In a typical real estate deal, you put down a 10 percent deposit when you sign a contract, and the remaining 90 percent at closing. Instead, Genesco demanded that I put down 50 percent at contract—$12.5 million—and the other half at closing. My lawyers advised me not to agree to such a demand. The way they saw it, there was a reasonable risk that the company might go bankrupt before we ever got to closing. If that happened, a bankruptcy judge—who has powers you wouldn't believe—might choose to take my deposit and use it to pay off other creditors. For me to put so much money at such risk, my lawyers said, was totally imprudent.

I looked at it another way. I wasn't thrilled about putting $12.5 million on the line, but at the same time I believed that the more cash I gave Genesco, the more money they'd have to pay off debts—and keep their creditors at bay. Also, my period of risk would be relatively short, since it was in our mutual interest to close the deal as quickly as possible. The time between contract and closing is often six months or more. In this case, we set it at sixty days.

In addition, I already had a good deal of time and money invested in the deal. As far back as August, following my first meeting with Jack Hanigan, I'd begun working on plans for the site, and I'd started negotiating with the city for zoning. Actually, within minutes of leaving Jack Hanigan's office, I had called Der Scutt and asked him to meet me at the Bonwit site. When he got there, I pointed to the building, and I asked him what he thought. It was obviously a super location, he said, but what did I have in mind for it?

"I want to build the most fantastic building in New York," I told Der, "and I want you to get working right away, because I want to know how big a building I can legally build."

From the start, size was a top priority. With such a great location, the more apartments I could build, the better the return I could hope to get on my investment. Moreover, the higher I could go, the better the views—and the more I could charge for the apartments. A guy named Arthur Drexler, from the Museum of Modern Art, put it very well when he said, "Skyscrapers are machines for making money." Drexler meant it as a criticism. I saw it as an incentive.

From the start, everyone I talked with was skeptical that I could get approval to build a huge glass skyscraper along a stretch of Fifth Avenue filled with short, old, limestone and brick buildings. I'd heard the same thing about the Hyatt, of course, and so I didn't take the warnings too seriously. Even putting commercial considerations aside, I felt a tall building would be much more striking than a short one. Very quickly, Der got caught up in my enthusiasm. When someone complained at a community board hearing that the building we had in mind was too tall and would block too much light, Der answered, only half kidding, "If you want sunlight, move to Kansas."

For any new building, the permissible height is determined by something called Floor Area Ratio (FAR). Specifically, the total square footage of a building can be no more than a certain multiple of the square footage of the building lot. It was possible to get some bonuses, but on this lot, for example, the absolute maximum FAR was 21.6. Naturally, that's what I intended to go after. I knew it was going to be an uphill battle. When Der did his first computations, using just the Bonwit site without Tiffany's air rights or the Kandell parcel, he determined that our maximum FAR was 8.5—which he said translated into a twenty-story building with 10,000 square feet of usable space per floor. Immediately, I told him to transform it into a forty-story building with 5,000 square feet per floor. Not only would that give me apartments with better views, it would also mean fewer apartments per floor, which is another luxury for which buyers will pay a premium.

Of course I had no intention of settling for a low FAR. For starters, my FAR would increase substantially when I acquired the Tiffany air rights. In addition, developers can get extra FAR by providing certain amenities that the City Planning Commission deems desirable. On this site, for example, I could get a bonus by building residential units instead of just offices, on the theory that office buildings create far more pedestrian traffic and congestion. In addition, I could get a bonus by building a public area for pedestrians—something called a through-block arcade—on my ground floor. I could get a third bonus by building more than the minimum retail space required by law. And I could get a final bonus by building a public park within the shopping area and arcade.

Eager for every advantage I could get, I began talking to Der about designing an atrium with several levels of shopping. As a business, a retail atrium seemed a long shot. Enclosed shopping malls have been a hit all across the country, but they've almost never succeeded in New York City. The typical suburban mall is clean, controlled, safe, and antiseptic, which is exactly why most people feel so comfortable in them. New Yorkers, on the other hand, seem to thrive on gritty street life and are quite happy to do business with street vendors.

But the way I figured it, even if the atrium wasn't terribly successful, the bonus I'd get for building it—several extra floors in my residential tower—would more than make up for its cost. It wasn't until much later, when I began to see how magnificently it was turning out, and when we started to attract the best stores in the world as tenants, that I realized the atrium was going to be something special, a hit on its own terms.

In the early stages, I focused more of my attention on the design of the building itself. I wanted to create something memorable and monumental, but I also knew that without a unique design, we'd never get approval for a very big building. The standard four-sided glass box just wasn't going to fly with city planning. Der went to work. He probably did three to four dozen drawings, and as we went along, I picked the best elements from each one.

At first, we started out with a glass tower built on a rectangular limestone base, but that just didn't look good. Later, we tried a design with three exterior glass elevators. That appealed to me, but it turned out that they'd use up far too much of our saleable interior space. Finally, Der came up with the concept of a series of terraces stepped back from the street to the height of the adjacent Tiffany building. My wife, Ivana, and I agreed that the setbacks created a certain compatibility and gave our building a less bulky feeling than it would have with straight sides, like most skyscrapers have. On the higher floors, we settled on a sawtooth design, a zig-zag effect that gave the building twenty-eight different sides, as if you took the steps of a staircase and turned them on their side.

The design was obviously going to be more expensive to execute than something more standard, but the advantages seemed obvious. With twenty-eight surfaces, we'd be creating a striking, distinctive building. Also, the multiple sides would ensure at least two views from every room, and in the end, that would make it possible to charge more for the apartments. To me, we were creating the best of all possible worlds. It was a great-looking design, but it was also very saleable. To hit a real home run, you need both.

The next challenge was to have the design approved by the city—which meant, among other things, getting zoning variances. In one key case, we were able to prevail simply by using logic. The zoning law required that we build a ground-floor through-block arcade that ran north-south, meaning from 57th Street to 56th Street. That would have meant putting the entrance to the building on 57th Street, rather than on Fifth Avenue, and the latter was obviously more prestigious. We simply pointed out to city planning that the IBM Building, between our site and Madison Avenue, already had a north-south through-block arcade, so that ours would be redundant. By running our arcade on a west-east axis, we could connect from Fifth Avenue through to IBM's atrium, and therefore all the way out to Madison Avenue. Remarkably, everyone agreed that was the best solution. The result was that we got the variance that allowed us to create our spectacular entrance on Fifth Avenue.

What the city balked at, from the very start, was the size of the building we were proposing—seventy stories high, with square footage at the maximum 21.6 FAR. As early as December 1978, even before I'd closed my deal with Bonwit, city planning let us know that they considered our proposed building too big. They said they intended to oppose letting us use bonuses to increase our FAR and that they were very concerned about the issue of compatibility with the smaller, surrounding buildings on Fifth Avenue.

Fortunately, by the time I closed my deal in early 1979 and we entered into serious discussions with city planning, I had some ammunition of my own. For starters, I could have chosen to build something called an "as of right" building—one that doesn't require any variances. Much the way I'd done earlier with Walter Hoving, I had Der prepare a model of the "as of right" building to show city planning. It was hideous: a thin little four-sided box going straight up eighty stories, cantilevering over Tiffany's. We took the position that if the city wouldn't approve the building we wanted, we were prepared to build "as of right"—and we showed them the model and the renderings. Naturally, they were horrified. I'm not sure they believed we'd ever build it, or even that it was buildable, but there was no way they could be sure.

The next thing I was able to use in my favor—unexpectedly—was Bonwit Teller itself. At first, I assumed I'd just tear down the store and that would be the end of it. But very shortly after I'd signed my deal for the site, another company, Allied Stores Corporation, made a deal with Genesco to purchase the twelve remaining Bonwit Teller branches in locations ranging from Palm Beach, Florida, to Beverly Hills, California. Soon after that, the president and CEO of Allied, a terrific retailing executive named Thomas Macioce, approached me.

Allied itself had been very close to bankruptcy when Macioce took it over in 1966. But over the next ten years, he'd transformed it into one of the strongest retailing companies in the country. Macioce explained to me that while several of the Bonwit stores he'd just purchased were quite successful, he felt it was critical to continue to have the flagship Bonwit in Manhattan. And ideally, he said, he'd like to keep the store at 57th Street and Fifth Avenue, not only because it had been there for fifty years, but also because the location was unbeatable.

I told Tom, right off, that there was no way I could give Bonwit nearly as much space as it previously had. On the other hand, I said, I could give him good space, fronting on 57th Street, and connected directly through to the atrium I intended to build on my ground floor. I showed him my plans, and in a very short time, we were able to strike a deal.

It was very good for Tom, because we signed a long-term lease, at a rent-per-square-foot far below what I later got for other retail space in the building. But it was also very good for me. I leased 55,000 square feet to Allied—giving them a store less than one quarter the size of the original Bonwit—for an annual rent of $3 million, plus a percentage of their profits. I'd paid $25 million to purchase Bonwit's lease and building, and with a 10 percent mortgage, my carrying costs were approximately $2.5 million a year. In other words, I was paying out $2.5 million to own the site, and getting $3 million back from Allied for leasing them a small portion of the total space. That meant I had a profit of $500,000 a year and owned the land for nothing—all guaranteed before I even began construction. Better yet, since I was giving the new Bonwit only a small portion of my site, I could rent the rest to other retailers.

But perhaps best of all, what I got in Bonwit was a store the city very much wanted to keep in New York. I was able to make a very simple, very strong case to the people at the City Planning Commission. If you want Bonwit to return to Fifth Avenue, I told them, you're going to have to give me my zoning.

Even with that, my approval was far from a sure thing. The local community board opposed such a tall building. As a ploy, they suggested a six-month moratorium on new buildings, to study whether the area was already overbuilt. A Committee to Ban the Building Boom sprang up. As soon as that happened, politicians had a knee-jerk reaction: they latched on to the cause.

Looking back, I don't think politics or leverage made a critical difference one way or the other. I'm absolutely convinced that it was the architecture itself that won us our approval. And perhaps no one had a more powerful influence than Ada Louise Huxtable, then the chief architecture critic of the *New York Times*.

I took a calculated risk by inviting Huxtable to look at our model and renderings before the City Planning Commission voted on our zoning. The power of the *New York Times* is just awesome. It is certainly one of the most influential institutions in the world, and I recognized that anything Huxtable wrote would have enormous impact. Moreover, I knew that she was hostile to skyscrapers in general, and that she almost always preferred old and classical to new and glitzy. But by the middle of 1979, I was worried about whether I was going to get my zoning. I figured that Huxtable couldn't make things worse, and that if I got lucky, she might write something that would help.

In early June, Huxtable came to see our plans. On Sunday, July 1, the *Times* Arts and Leisure section carried her "Architecture View" column about Trump Tower. It was titled "A New York Blockbuster of Superior Design." That headline probably did more for my zoning than any single thing I ever said or did. The funny thing was that Huxtable spent the first half of her review complaining that our building was too big and suggesting that I had used "every trick in the book to maximize its size." But, interestingly, she didn't blame me so much as she did the city, for zoning laws that she said encouraged developers to do what I'd done. And then, at the end, she gave us several terrific lines. "A great deal of care has been lavished on its design," she wrote, adding, "It is undeniably a dramatically handsome structure."

In October, the planning commission unanimously approved our zoning. The commission said it would have preferred a masonry façade for Trump Tower, as more compatible with neighboring buildings, but added that they didn't insist, in light of the fact that I would be providing "extraordinary public amenities." In the end, we negotiated an FAR of 21, barely less than the 21.6 maximum. I settled for just two fewer floors than I'd originally sought. That gave me the equivalent of a sixty-eight-story building, including the huge double-ceilinged six-level atrium, which made Trump Tower the tallest residential building in the city. At the same time, the city took Huxtable's comments about the zoning laws to heart. Responding to the way I'd used bonuses and air rights to create a much bigger building, the city amended its zoning laws to prevent others from doing the same thing in the future.

Once I had my zoning, the next challenge was getting the tower built. It wasn't going to be cheap. When you build above a certain height, construction costs rise almost geometrically, simply because it becomes so much more costly to do everything, from reinforcing the infrastructure to bringing up piping. On the other hand, because I had such a prime location, I felt I could afford it. If I did the job right, I'd be able to charge such a premium that the extra cost would be irrelevant.

In October 1980, Chase Manhattan agreed to provide financing for the construction of Trump Tower. I made a deal with HRH Construction to be my general contractor. The budget for the whole job—acquisition of the land, construction, carrying charges, advertising, and promotion—was slightly more than $200 million. The person I hired to be my personal representative overseeing the construction, Barbara Res, was the first woman ever put in charge of a skyscraper in New York. She was thirty-three at the time, she'd worked for HRH, and I'd met her on the Commodore job, where she'd worked as a mechanical superintendent. I'd watched her in construction meetings, and what I liked was that she took no guff from anyone. She was half the size of most of these bruising guys, but she wasn't afraid to tell them off when she had to, and she knew how to get things done.

It's funny. My own mother was a housewife all her life. And yet it's turned out that I've hired a lot of women for top jobs, and they've been among my best people. Often, in fact, they are far more effective than the men around them. Louise Sunshine, who was an executive vice president in my company for ten years, was as relentless a fighter as you'll ever meet. Blanche Sprague, the executive vice president who handles all sales and oversees the interior design of my buildings, is one of the best salespeople and managers I've ever met. Norma Foerderer, my executive assistant, is sweet and charming and very classy, but she's steel underneath, and people who think she can be pushed around find out very quickly that they're mistaken. Ivana, my wife, is a great manager who treats her employees very well, but she's also very demanding and very competitive. Her employees respect her because they know she's pushing herself as hard as she's pushing them.

We began demolition of the Bonwit building on March 15, 1980, and almost immediately I found myself in the middle of a major controversy over the two bas-relief Art Deco sculptures that were a decorative feature of the exterior of the building. All during 1979, long after I'd announced my plans and begun negotiating for zoning, no one expressed any interest in those friezes. No representative from zoning, from landmarks preservation, or from any community arts group ever suggested saving them. Finally, in mid-December of 1979, shortly before I was to begin construction, I got a call from someone at the Metropolitan Museum of Art, asking if I'd consider donating the friezes, and certain iron grillwork. I said that if the friezes could be saved, I'd be happy to donate them to the museum.

What happened was that we began the demolition, and when it came time to take down the friezes, my guys came to me, and they said, "Mr. Trump, these are a lot heavier than we thought, and if you want to try to save them, we're going to have to add special scaffolding for safety's sake, and it's going to take at least several weeks." My carrying charges on the construction loan for this project were enormous—not to mention the extra construction costs of delaying the job. I just wasn't prepared to lose hundreds of thousands of dollars to save a few Art Deco sculptures that I believed were worth considerably less, and perhaps not very much at all. So I ordered my guys to rip them down.

What I didn't count on was the outrage this would create. The following day, the *New York Times* ran a front-page picture of the workmen demolishing the sculptures, and the next thing I knew I'd become a symbol of everything evil about modern developers. A *Times* editorial described the demolition as "a memorable version of cash flow calculations outweighing public sensibilities" and went on to say that "obviously big buildings do not make big human beings, nor do big deals make art experts."

It was not the sort of publicity you like to get. Looking back, I regret that I had the sculptures destroyed. I'm not convinced they were truly valuable, and I still think that a lot of my critics were phonies and hypocrites, but I understand now that certain events can take on a symbolic importance. Frankly, I was too young, and perhaps in too much of a hurry, to take that into account. The point is that despite what some people may think, I'm not looking to be a bad guy when it isn't absolutely necessary.

Ironically, the whole controversy may have ended up being a plus for me in terms of selling Trump Tower. The stories that appeared about it invariably started with sentences like: "In order to make way for one of the world's most luxurious buildings …" Even though the publicity was almost entirely negative, there was a great deal of it, and that drew a tremendous amount of attention to Trump Tower. Almost immediately we saw an upsurge in the sales of apartments. I'm not saying that's a good thing, and in truth it probably says something perverse about the culture we live in. But I'm a businessman, and I learned a lesson from that experience: good publicity is preferable to bad, but from a bottom-line perspective, bad publicity is sometimes better than no publicity at all. Controversy, in short, sells.

So, it turned out, does glamour. Even before we started construction, I'd begun to realize that the atrium could prove to be one of the most dazzling parts of Trump Tower. At first we just set out to make it an attractive setting for retailers, but when I saw the final drawings and the model, I realized it could be truly spectacular. I also decided I would spend whatever it took to assure that it lived up to its potential.

Perhaps the best example is the marble. Originally I thought of using the brown paradisio that had been so successful for the lobby of the Grand Hyatt. But in the end, I became convinced that what was great for a hotel lobby wasn't necessarily right for a retail-shopping atrium. Der, Ivana, and I looked at hundreds of marble samples. Finally, we came upon something called Breccia Perniche, a rare marble in a color none of us had ever seen before—an exquisite blend of rose, peach, and pink that literally took our breath away. Of course it was incredibly expensive—in part because it was a very irregular marble. When we went to the quarry, we discovered that much of the marble contained large white spots and white veins. That was jarring to me and took away from the beauty of the stone. So we ended up going to the quarry with black tape and marking off the slabs that were the best. The rest we just scrapped—maybe 60 percent of the total. By the time we were finished, we'd taken the whole top of the mountain and used up much of the quarry. Next, I made sure to get the finest craftsmen to cut and lay the marble, because unless your workmen are the best, you get jagged edges, poor matching, and asymmetry, and then you've lost the whole effect.

That effect was heightened by the fact that we used so much marble—on the floors and for the walls six full floors up. It created a very luxurious and a very exciting feeling. Invariably, people comment that the atrium—and the color of the marble particularly—is friendly and flattering, but also vibrant and energizing—all things you want people to feel when they shop: comfortable, but also pumped up to spend money.

Of course, the marble was only part of it. The whole atrium space was very dramatic and different. Rather than making the railings out of aluminum, which is cheap and practical, we used polished brass, which was much more expensive but also more elegant, and which blended wonderfully with the color of the marble. Then we used a lot of reflective glass, particularly on the sides of the escalators. That was critical, because it made a fairly small core space look far larger and more dramatic. The sense of spaciousness was further enhanced by the fact that we used only two structural columns in the entire atrium. The result is that no matter where you stand, you get an unimpeded view and a sense of great openness.

The third element that adds to the drama of the atrium is one I actually fought against at first: making the entrance from Fifth Avenue unusually large. Zoning regulations required only a fifteen-foot width, and I didn't want to lose any more retail space that fronted on Fifth Avenue than I had to. However, the city pushed very hard for a thirty-foot width, and finally, reluctantly, I went along. It cost me some very valuable retail square footage, but now I think that what I got instead—a spectacular entrance—was more than worth it. I give the City Planning Commission full credit for that.

The last key element in the atrium was the waterfall that runs along the eastern wall. It's nearly eighty feet high, and it cost almost $2 million to build. Most of my people at first favored putting paintings on the walls. To me that was old-fashioned, unoriginal, and just not very exciting. As it turned out, the waterfall proved to be an art form in itself, almost a sculptured wall. Also, it attracts far more attention than we'd have gotten if we'd put up even some very wonderful art. If most malls succeed in part because they're so safe and homogeneous, I'm convinced that the Trump Tower atrium succeeds for just the opposite reasons. It's larger than life, and walking through it is a transporting experience, almost as if you're in a wonderland.

We tried to create a version of that feeling in the apartments themselves. The most dramatic element we had to offer, of course, was the views. Since the residential units didn't start until the thirtieth level, most were higher than the surrounding buildings, which meant they had views to the north of Central Park, to the south of the Statue of Liberty, to the east of the East River, and to the west of the Hudson. In addition, the sawtooth design of the building gave all the major rooms in the apartments views in at least two directions. And then, to make sure we took the best advantage of those views, we built huge windows, virtually from floor to ceiling. I would have made the windows all the way from floor to ceiling, but I was told that unless there is at least some base below a window, some people get vertigo.

The funny thing is that the inside of the apartments was less important than a lot of the other elements. We quickly discovered that the sort of buyer who spends $1 million for a two-bedroom pied-à-terre, or $5 million for a four-bedroom duplex, is going to hire his own designer, gut the apartment, and rebuild it to fit his own tastes.

In the end, the reason that we were able to charge unprecedented prices for the apartments was something beyond any specific luxuries we provided. It was the fact that—through some blend of design, materials, location, promotion, luck, and timing—Trump Tower took on a mystical aura. A lot of buildings can be successful, but I'm convinced that only one, at any given time, can achieve the blend of qualities necessary to attract the best buyers and command the top prices.

Before Trump Tower, the last building to achieve that mystique had been Olympic Tower, on 51st Street off Fifth Avenue, built in the 1970s. The key ingredient was the fact that Aristotle Onassis owned it. At the time, Onassis was living an amazing life. He was married to Jackie Kennedy and was the ultimate jet-setter with mansions around the world, a huge yacht, and even his own island, Skorpios. He was very rich and very hot, and while Olympic Tower wasn't a particularly exciting or attractive building, it was the right product done by the right guy at the right time. It absolutely stole the top of the market from another luxury building that went up around the same time, the Galleria on East 57th Street.

As it turned out, Trump Tower also stole the market from one potentially major competitor. Long before I made my deal for the Bonwit site, another developer announced plans to build a huge condominium tower above the Museum of Modern Art, just off Fifth Avenue at 53rd Street. By all rights it should have been a fantastic success. The connection with the museum was very prestigious, the location was good, the architect, Cesar Pelli, was a big name, and the developer made it clear that he would spare no expense to build the best.

However, Trump Tower far outsold Museum Tower. first of all, although we got started later on construction, we began selling apartments in Trump Tower around the same time that Museum Tower did. From the start, I could see we had some advantages. Obviously, we had a better location on Fifth Avenue. But in addition, the shape of Museum Tower wasn't inspiring. The facade, with its multicolored glass, wasn't unusually striking, and the lobby was just another lobby. Finally, Museum Tower was marketed poorly. Their ads were dull, there was no attempt to create excitement, and it came off as just an average building.

By contrast, we took our strengths and promoted them to the skies. From day one, we set out to sell Trump Tower not just as a beautiful building in a great location but as an event. We positioned ourselves as the only place for a certain kind of very wealthy person to live—the hottest ticket in town. We were selling fantasy.

The one market we didn't go after was old-money New Yorkers, who generally want to live in older buildings anyway. On the other hand, we could appeal to several other categories of wealthy people.

Obviously, we were a natural choice for people connected with show business, in the sense that we'd created something very glamorous. Foreigners were another big market—Europeans, South Americans, Arabs, and Asians. Practically speaking, we offered them an immediate advantage. At the time we began selling Trump Tower, it was virtually the only condominium in New York. To buy an apartment in a condominium, all you need is the purchase price. To buy a cooperative—which is what most buildings in New York were at the time—you need approval from its board of directors, who have ridiculous, arbitrary powers, including the right to demand all kinds of financial data, social references, and personal interviews. Then they can reject you for any reason they choose, without explanation. It's a license to discriminate. The worst part is that many people on these co-op boards get their kicks from showing off their power. It's absurd and probably illegal, but it happened to be great for Trump Tower. Many wealthy foreigners didn't have the proper social references for these cooperatives, or didn't want to put themselves through the scrutiny of a bunch of prying strangers. Instead, they came to us.

I still remember the morning, just before we began selling apartments, when one of my salespeople rushed into my office. "Mr. Trump," she said, "we're in trouble. Museum Tower just announced its prices, and they're much lower than ours." I thought for a minute, and I realized that actually the opposite was true: Museum Tower had just done itself damage. The sort of wealthy people we were competing for don't look for bargains in apartments. They may want bargains in everything else, but when it comes to a home, they want the best, not the best buy. By pricing its apartments lower than ours, Museum Tower had just announced that it was not as good as Trump Tower.

A lot of people think that we set out to attract celebrities to Trump Tower, or that we hired a fancy public relations firm to promote the building. The truth is that we never hired anyone to do public relations, and every star who bought an apartment—Johnny Carson, Steven Spielberg, Paul Anka, Liberace, and many others—came to us. Nor did I give any of them special deals. Other developers cut prices to attract stars and celebrities, but to me that's a sign of weakness. What really means something is when a celebrity is willing to pay full price for an apartment.

If any press story about a celebrity helped promote Trump Tower, I suspect it was one about a sale that never actually occurred. Shortly after we began selling apartments, I got a call from a reporter asking whether or not it was true that Prince Charles had purchased an apartment in Trump Tower. It so happened that this was the week when Prince Charles and Lady Diana had gotten married, and they were, at that moment, the most celebrated couple in the world. Our policy was not to comment about sales, and that's what I told this reporter, In other words, I refused to confirm or deny the rumor. Apparently, the reporter then decided to call Buckingham Palace. By this time, the royal couple had left for their honeymoon and they were out on the yacht *Britannia*, so the Buckingham Palace spokesman said just what I had: they couldn't confirm or deny the rumor.

That was all the media needed. In the absence of a denial, the story that the royal couple was considering buying an apartment in Trump Tower became front-page news all over the world. It certainly didn't hurt us, but I had to laugh to myself. Just a month earlier, Prince Charles had come to New York for a visit, and the IRA had come out in force to protest. As Prince Charles walked into Lincoln Center for a concert one evening, hundreds of protestors stood outside, hissing and screaming and throwing bottles. It had to be a frightening experience for him, and I can't imagine it left Prince Charles with a great desire to take an apartment in New York City. Also, while Trump Tower is a great building, I suspect Prince Charles would find it very hard to get used to *any* apartment after growing up in Buckingham Palace.

With so much demand, our marketing strategy was to play hard to get. It was a reverse sales technique. If you sit in an office with a contract in your hand, eager to make the first deal that comes along, it's quite obvious to people that the apartments aren't in demand. We were never in a rush to sign a contract. When people came in, we'd show them the model apartments, sit down and talk, and, if they were interested, explain that there was a waiting list for the most desirable apartments. The more unattainable the apartments seemed, the more people wanted them.

As demand grew, I kept raising the prices—twelve times in all. We started out selling for much more than Olympic Tower, which until then had been the most expensive building in New York. Within a short period, we'd almost doubled the price for the best apartments on the highest floors. People were buying two-bedroom apartments for $1.5 million, and before we finished construction, we'd sold a huge majority of the apartments.

The cycles of buyers at Trump Tower became something of a barometer of what was going on in the international economy. At first, the big buyers were the Arabs, when oil prices were going through the roof. Then, of course, oil prices fell and the Arabs went home. In 1981, we got a sudden wave of buyers from France. I wasn't sure why, but then I realized the reason was that François Mitterrand had been elected president, and anyone smart and wealthy realized immediately that Mitterrand was going to hurt the French economy. It wasn't just that he was a socialist, and that he began nationalizing companies, it was also that he turned out to be a dangerous man. What can you say about a guy who goes around selling nuclear technology to the highest bidder? It's the lowest anyone can stoop.

After the European cycle, we got the South Americans and the Mexicans, when the dollar was weak and their economies still seemed fairly strong. Then, when inflation set in, their currencies were devalued, and their governments tried to restrict the outflow of cash, that cycle ended.

During the past several years, we've had two new groups buying. One is American—specifically, Wall Street types, brokers and investment bankers who've made instant fortunes during the bull market frenzy. It's ridiculous, when you think about it. You get stockbrokers, barely twenty-five years old, who suddenly earn $600,000 a year because clients they've never met call up and say, "I'll take fifty thousand shares of General Motors." The broker pushes a button on a computer and, presto, he's got a huge commission. As soon as the stock market falls out—which it will, because it too runs in cycles—most of these guys will be out on the street looking for work.

The other new buyers are the Japanese. I have great respect for what the Japanese have done with their economy, but for my money they are often very difficult to do business with. For starters, they come in to see you in groups of six or eight or even twelve, and so you've got to convince all of them to make any given deal. You may succeed with one or two or three, but it's far harder to convince all twelve. In addition, they rarely smile and they are so serious that they don't make doing business fun. Fortunately, they have a lot of money to spend, and they seem to like real estate. What's unfortunate is that for decades now they have become wealthier in large measure by screwing the United States with a self-serving trade policy that our political leaders have never been able to fully understand or counteract.

Because the 263 apartments in Trump Tower proved to be so desirable, I decided to keep a dozen or so off the market, much the way a hotel operator always holds a few choice rooms free for emergencies. It was a way of keeping options open—particularly my own. Originally, I decided to take one of the three penthouse triplexes on the top floors—about 12,000 square feet in all—for my family. We moved in at the end of 1983. I had offers as high as $10 million for each of the two apartments adjoining mine, but I resisted selling them, figuring I might ultimately want more space myself.

It proved true sooner rather than later. In the middle of 1985, I got an invitation from Adnan Khashoggi, a Saudi Arabian and a billionaire at the time, to come to his apartment in Olympic Tower. I went, and while I didn't particularly go for the apartment, I was impressed by the huge size of its rooms. Specifically, it had the biggest living room I'd ever seen. I had plenty of space in my triplex, but I figured, What the hell? Why shouldn't I have exactly the apartment I wanted—particularly when I built the whole building?

I decided to take over one of the other apartments on the top three floors and combine it with mine. It has taken almost two years to renovate, but I don't believe there is any apartment anywhere in the world that can touch it. And while I can't honestly say I need an eighty-foot living room, I do get a kick out of having one.

Successful as we were in selling the Trump Tower apartments to the top buyers, we did at least as well in attracting the best retailers to the atrium. It began when Asprey, a London-based store that sells the finest crystal, jewelry, and antiques, selected the atrium for its first branch store in two hundred years of operation. At first, they took a small store in the atrium. Business was so good that they have since expanded to a much larger space. Quality, of course, attracts more quality. The next thing we knew we had leases with many of the world's top retailers—Asprey, Charles Jourdan, Buccellati, Cartier, Martha, Harry Winston, and many others.

It didn't hurt, of course, that in April 1983, just after the atrium opened, we got a good review from Paul Goldberger, who by then had replaced Ada Louise Huxtable as architecture critic of the *Times*. The review was headlined ATRIUM IN TRUMP TOWER IS A PLEASANT SURPRISE. It began by saying, in effect, that other critics had been wrong. The atrium, Goldberger wrote, "is turning out to be a much more pleasant addition to the cityscape than the architectural oddsmakers would have had it." The review went on to say that the atrium "may well be the most pleasant interior public space to be completed in New York in some years. It is warm, luxurious and even exhilarating—in every way more welcoming than the public arcades and atriums that have preceded it in buildings like Olympic Tower, the Galleria, and Citicorp Center."

That review had two positive effects. First, it reinforced the feeling among the retailers in the atrium and the people who'd purchased apartments in Trump Tower that they'd made the best choice. But second, and more important, it helped bring more shoppers to the atrium. They, of course, were ultimately the key to its success.

The odd thing is that no one could ever quite believe that the atrium was a commercial success. From the day it opened, false rumors circulated. One was that while it was obviously a tourist attraction, no one really bought anything there. Another was that the European retailers stayed only because their stores functioned as high-visibility loss-leaders. Still other stories had it that the stores on the ground floor did well, but those on the upper floors did not. As late as 1986, a *New York Times* reporter came to see me, obviously prepared to do a hatchet job on the atrium. Instead, he did his reporting and ended up writing a front-page business-section story about the atrium's extraordinary success.

Typically, a suburban mall has a turnover of at least a third of its original tenants during the first several years. Trump Tower lost only a handful of its stores during the first three years. More important, no sooner does a tenant leave than he is replaced by one of the fifty retailers we have on our waiting list. Stores with the most expensive merchandise in the world have prospered in the atrium.

Not every quality retailer has found the location appropriate, of course. The best example is the experience of Loewe, the leather-goods retailer, which was among the atrium's first tenants. Loewe had beautiful merchandise. But it turned out that while a wealthy woman might pay thousands of dollars for a piece of jewelry or an evening gown at a shop next door, she was not willing to shell out $3,000 for a pair of Loewe's leather pants, no matter how soft and buttery they might feel. So Loewe's didn't do well. But in the end, everyone came out okay. Asprey, which was doing very well next door, took over Loewe's space. Loewe, therefore, got out of a long-term lease, Asprey got an additional 4,600 square feet it very much wanted, and I got a great new lease.

One last element helped make the Trump Tower deal a huge home run, and that was something called a 421-A tax exemption. Ironically, getting my 421-A ended up taking me longer than it had to assemble the site and complete the entire construction of Trump Tower.

The city enacted the 421-A law in 1971, to encourage residential development. In return for improving a site, developers were entitled to an exemption from real estate taxes over a ten-year period. Every two years the exemption decreased by 20 percent. Everyone who applied for the 421-A exemption got it, almost as a matter of course. Then I came along with Trump Tower.

There was no question that I was entitled. I was proposing to take a ten-story building in a state of disrepair and to build in its place a multiuse sixty-eight story $200 million tower. Unlike the tax abatement I'd gotten on the Grand Hyatt, where I was forgiven all taxes, the 421-A program wouldn't exempt me from taxes currently being paid on the site—but it would exempt me from additional taxes attributable to an increased assessed value on the site. Who could argue that I wouldn't be improving and better utilizing the site with Trump Tower?

Ed Koch could, for one. And the reason had nothing to do with the merits of my case. It was all politics. Koch and his deputies sensed an opportunity they couldn't resist: to position themselves as consumer advocates taking on a greedy developer. From a public relations perspective, I was vulnerable. It was quite obvious that Fifth Avenue wasn't exactly a marginal neighborhood, and that I'd probably succeed with Trump Tower even if I didn't get a tax exemption.

But in my mind, none of that had any bearing on my legal right to a 421-A exemption. In December 1980, I applied for a 421-A for the first time. A month later, I met with Tony Gliedman, commissioner of the city's Department of Housing, Preservation and Development, to make my case in person. In March, Gliedman and the HPD turned my application down.

I called Koch and told him I thought the ruling was unfair, that I wasn't about to give up, and that the city was going to waste a huge amount of money litigating a case I'd eventually win.

In April 1981, I filed something called an Article 78 proceeding in state supreme court, seeking to have the city's ruling overturned. The court found in my favor, but an appellate court reversed the ruling, so I took my case to the state's highest court, the court of appeals. In December 1982—nearly two years after my original application—the court of appeals ruled 7-0 that the city had improperly refused me an exemption. But instead of simply ordering the city to expedite my exemption, the court told the city to reconsider my request. They did—and turned me down again.

By now I was so outraged that the cost of the litigation was beside the point. We refiled an Article 78, and exactly the same scenario unfolded. We won in supreme court, got overturned at the appellate level, and ended up again before the court of appeals. My lawyer, Roy Cohn, did a brilliant job, arguing before seven justices without so much as a note. This time, the court again ruled unanimously that we were entitled to our exemption—and ordered the city to provide it without further delay.

That was just the icing on the cake. By this time, Trump Tower was an unqualified success. It had given me visibility and credibility and prestige. It was also a great success financially. The way I figure it, the entire project—including land, construction costs, architecture fees, advertising and promotion, and finance charges—cost approximately $190 million. The sales of apartments have so far generated $240 million—meaning that even before including revenues from the stores and offices, we have earned a profit of approximately $50 million on Trump Tower. I also earned more than $10 million in commissions as a sales agent for apartments in Trump Tower. Finally, the rent from office space and the retail atrium generates many millions more a year—almost all of it profit.

Ultimately, Trump Tower became much more than just another good deal. I work in it, I live in it, and I have a very special feeling about it. And it's because I have such a personal attachment that I ended up buying out my partner, Equitable, in 1986. What happened is that Equitable put a new guy in charge of its New York real estate operation. One day this fellow called me up and said, "Mr. Trump, I've just been looking over the books, and I'd like you to explain why we're spending so much on the maintenance of Trump Tower." We were, in fact, spending nearly $1 million a year, which is almost unheard of. But the explanation was very simple. When you set the highest possible standards, they're expensive to maintain. As one simple example, my policy was to have all of the brass in the atrium polished twice a month. Why, this fellow asked, couldn't we save some money by polishing once every couple of months?

At first I was civil. I tried to explain that one of the key reasons for the success of the atrium is that it was so impeccably well-run. I also said I had no intention of changing our policy, and I suggested to this executive that perhaps he ought to take a day to think about whether he really wanted to push it. He called me back twenty-four hours later, and he said he'd thought about it and he did want to go ahead with cutbacks. That was probably the end of my partnership with Equitable. Much as I liked Equitable, I wasn't about to tamper with something so successful just to save a few bucks. To do that would have been totally self-destructive.

I was upset, but I was also philosophical. I went to my friend George Peacock, the head of real estate at Equitable, and I explained that we had a problem, and that there didn't seem to be a way out of it. Therefore, I wanted to buy out Equitable's share. In a short time we made a deal, and I now own Trump Tower outright. After we'd signed the contracts, I got a letter from George Peacock, who ended by saying, "As with most things in life, time calls for change and it is best to accept that fact. Nevertheless, I shall always be proud of my involvement in the creation of Trump Tower and fondly remember how we worked to bring it about."

I was very happy to get that letter. It was a classy way to conclude a partnership that had been a class act from the start.