

**Senate Homeland Security and Governmental Affairs Committee
Subcommittee on Federal Financial Management, Government
Information, and International Security**

“U.S. Financial Involvement in Renovation of U.N. Headquarters”

July 21, 2005

**Testimony of Donald J. Trump, Chairman and President, The Trump
Organization**

Well, thank you very much, Mr. Chairman, and members of the Subcommittee. It's a great honor to have been invited, and if I can lend a hand, I would certainly love to do so. I have to start by saying I'm a big fan, a very big fan of the United Nations, and all it stands for. I can't speak as to what's been happening over the last number of years, because it certainly hasn't been good. But the concept of the United Nations, and the fact that the United Nations is in New York, is very important to me, and very important to the world, as far as I am concerned. So, I am a big fan. Such a fan, in fact, that at great expense, I built a building across the street. It's the tallest apartment house in the world. It's been a tremendously successful building, sold out, and I'm very proud of it. And if the United Nations weren't there, perhaps I wouldn't have built it in that location. So, it means quite a bit to me.

My involvement with the United Nations began with a letter, which I will give to the Subcommittee, from the Ambassador to the United Nations from Sweden. It's a long letter, and a very beautifully written letter, and essentially, he read an article about the success of the Trump World Tower, which is the building that I can show you, right here, which is, as you can see, very, very substantially taller than the United Nations, bigger than the United Nations. And he read an article in the New York Times, saying that the building cost approximately \$300 million to build. So, he wrote me a letter, and ultimately called me, and said is it possible that that building cost \$300 million, because it just seems so much bigger, and so much better, and so much more expensive, and so much more luxurious. And how could you have done that for \$300 million dollars, when, at that time, Senator, they were talking about \$1.5 billion dollars to renovate the United Nations. And this was around December of 2000. I said well, there's only two reasons. Either gross incompetence, or something far worse than that. And you know what the something is, and that's corruption. Because there's absolutely no way that that building should cost \$1.5 billion dollars to build.

And I did a chart, and I looked at other buildings, and I heard the numbers today, and I'm very impressed with Mr. Burnam, but it's not his business. Mr. Burnam is in a different business. And the man he hired, who has done some work, I guess, has just been on the payroll for two days, so perhaps he'll be a great genius, and he'll bring down the cost to what it should be, which I think is about \$700 million dollars, tops, and that's complete.

But I did a little chart, and I looked at buildings that were comparable that I built. And I looked at fees, also. Architectural fees. The architectural fee for this building, and you have to understand, a residential, luxury building is far more complex than an open-floor office building to build. It's much more...you have many more bathrooms, you have many more kitchens, you have many more rooms. It's more complex. An office building is essentially open space with sub-dividers.

So, I looked at it, and I added up some of my costs, and for Trump World Tower, across the street, built not long ago, I spent approximately \$258 a foot. It's the tallest building, tallest residential building in the world. \$258.32 a foot. I have 871 thousand feet. It cost \$225 million dollars to build. Now, anybody that says a building of renovation is more expensive than building a new building, doesn't know the business. Because you have a frame built. You have your foundations built. You have, in many cases, elevators that could be re-utilized in their entirety, but fixed. You have many, many components that can be used. And only a fool...it only costs a fool more money. I did the Grand Hyatt hotel from the old Commodore Hotel. I did Trump International Hotel and Tower from the old Gulf and Western building at 1 Central Park West, if you remember. I did the Trump Park Avenue Building from the Delmonaco Hotel. I love doing renovation, because it costs you half. It doesn't cost you more. It costs you less, if you know what you're doing. Now if you don't know what you're doing, it can be built with cost overruns, etc., etc.

So I looked at a couple of other buildings, 40 Wall Street is a building, which is unfortunately and sadly, now the tallest building in downtown Manhattan. Sadly, because the World Trade Center came down. It replaced 40 Wall Street. It was actually the tallest building in the world for a period of one year, and then superseded by the Chrysler Building, and then the Empire State Building. But downtown Manhattan, it was superseded by the World Trade Center. So 40 Wall Street's approximately 72 stories tall. It was a complete gut renovation, identical to what you're doing. We put all brand new windows, brand new everything in it. And I have a renovation cost of let's say, \$100 dollars a foot, if you add everything. And that would mean that your job would cost somewhere in the neighborhood of half the number that you're talking about, and even less. The way I look at it, the number that they're talking about, and I agree with Senator Sessions, is close to six or seven hundred dollars a foot. They're not adding garages, and by the way, garages are very inexpensive to renovate, so that brings the number way down. They're not adding a lot of things that have to be added.

When I went to see the administration, and when I went to see Kofi Annan, I was actually quite excited. Because I thought that I could save this country, this world, everybody, including myself, a lot of money, just by sitting down and having a meeting.

Unfortunately, as our great Senator to my right said, there was just no response. They didn't really care. It got a lot of press. I walked into the room, and I sat down. I felt like a head of state. I was sitting with Kofi Annan, and a door opened, and there were literally hundreds of reporters taking my picture. I said, "What are we doing? I just want to tell you, I can build a building a lot cheaper." And that was the end of it.

I wrote letters, and you have copies of the letters. I wrote letters after the meeting. I thought the meeting went amazingly well. I was expecting a call the following day from...whether it's Kofi Annan or his people. At that time, it was a man named Connors. I met with Mr. Connors. Mr. Connors didn't know the first thing about what he was doing. He didn't know whether or not the curtain wall was going to be new, old, and didn't even know what a curtain wall was. I said, "What are you going to be doing with the curtain wall?"

He said, "What is a curtain wall?" Now, he was in charge of the project. The curtain wall is the skin of the building.

I said, "Will it be new or old?"

He said, "I don't know."

I said, "Are you using New York Steam? Or are you using a new boiler system?"

He said, "I don't know what New York Steam is." It's a very common form of heating in the building. He had no clue. And the price, at that time, was \$1.5 billion dollars. I mean, I don't know why it came down, because the world has gone up. But it came down. That was in the year, approximately 2000-2001. So he didn't have a clue. I don't know if he's still there. Perhaps he is. The one thing I found him very, very good at, is that he didn't want to lose control of this project. He was a man that absolutely wanted to keep control of the project, but he didn't have even the slightest inkling of what it was all about. Knew nothing about it. He then told me that he may move people out. He may not move people out. He didn't know. He thought he might. He wasn't sure. He had no...he just didn't know.

So, I went through a whole list of questions for him, and then I realized that the United Nations is in serious trouble, because the \$1.5 billion that they were talking about, there was no way it was going to happen for that. And I say today, that the \$1.2 billion, which they brought down, even though it's basically the same work, and even though things have gotten more expensive, so I don't know why they brought it down, because I don't think they brought it down for any particular reason. But the \$1.2 billion, in my opinion, and I'll be sitting here in three years. And I'll be saying, and I'm going to predict that it'll cost over \$3 billion dollars, because they just don't know.

I was very impressed with Mr. Burnam, but again, you have to deal in New York City construction, to see what tough people are all about, to see what tough contractors are all about. And if you haven't done it, they...you're not going to...you're going to go to school,

and they're just going to take you lunch, and you're just not going to even know what happened. So this project, at \$1.2 billion, will cost, in my opinion, \$3 billion dollars. In my own opinion, however, in my real opinion, it should cost approximately \$700 million dollars. I've been listening to a couple of different things. Number one, swing space. I don't think you need swing space. First of all, what landlord in New York is going to rent space for a year and a half or two years? Who's going to do that? You're going to give up a building for a year and half or two years, and say oh, good. You just go in, mess up my building for a short term, and then move out? Nobody's going to do that, unless they are totally desperate. And you don't have to be desperate in New York. It's the hottest real estate market in the world, today probably, and I'm saying, where are they going to find this space to start off with?

It's going to be a disaster. And if you know your New York City landlords, and some of you do, there is no worse human being on Earth, okay? They are going to have more fun with these folks from the United Nations, when it comes to signing that lease. And the United Nations, their heads will be spinning. Assuming there's honesty, their heads will be spinning. So, I don't know where they're going to get the space. They're going to have to pay so much, and no landlord's going to fix the space. I mean, you know, I'm listening to these people that are very naive, and I respect them, but they're very naive in this world. Now, I might be naive in their world. But in this world, they're naive. To think that they're going to go into a building and rent hundreds and hundreds of thousands of feet of space, if they can find such a building, and I don't know of any building like that, and then, they're not going to have to pay for the renovation of that space and fixing up the space, for a couple of years. Now, people do that, but they sign 25 and 30 year leases. I don't mind going into an office building and fixing up space, but I sign a thirty year lease, or a twenty year lease, or at least a fifteen year lease. These people are going to sign a one or a two year lease? It's ridiculous.

So, their concept of swing space, in my opinion, doesn't work from an economic...and the number of \$98 million dollars is a joke. Because that number will be hundreds and hundreds of millions of dollars, in just the renovation costs alone. One of the things that I had mentioned to Kofi Annan and the whole group, when I was at the meeting, was that there's not reason to move anybody out. In New York City, we have a lot of asbestos buildings. And there's a whole debate about asbestos. I mean, a lot of people could say that if the World Trade Center had asbestos, it wouldn't have burned down. It wouldn't have melted, okay? A lot of people think asbestos...a lot of people in my industry think asbestos is the greatest fire-proofing material ever made. And I can tell you that I've seen tests of asbestos, vs. the new material that's being used, and it's not even a contest. It's like a heavyweight champion against a lightweight from high school. But in your great wisdom, you folks have said asbestos is a horrible material, so it has to be removed. Space is constantly being renovated. Asbestos is constantly being gotten rid of, with tenants in possession. You sit there. They wrap it, they conceal it, they do it. They do it in many professional firms. They move the asbestos. Estee Lauder's company, they did it while they were in possession. I could name a hundred tenants where it's been done while they sit in their offices, literally working. Sometimes it's done over weekends. Sometimes it's done at a little different time. They take sections of offices and they do it, and the

people move from that section to another section, and they're inconvenienced for a day and a half. And then they rebuild the office. So, the concept of moving to swing space, dealing with New York City landlords, is absolutely ridiculous. Absolutely ridiculous.

Now, you can do the entire building...you can put new skin on the building. You can put...you see, the piping, you don't have that much piping, because the bathrooms are all centralized. You know, not every office has a bathroom. It's not like in an apartment house. But you can do this entire building, like I did the Grand Hyatt Hotel, I took the old Commodore Hotel, then made it into the Grand Hyatt Hotel on 42nd Street and Park Avenue. It's a great success. I did it with many buildings. I've done this with many buildings. But it's not necessary to have everybody leave the building, in order to rebuild the building. And you don't have to necessarily even do it at one floor at a time. You can either fix the skin, or put a new skin on the building, and what you do is you the roof first, and you seal it, and you get a thirty year guarantee. You then bring...and what I do best in life is build. Even better than The Apprentice, I must say. The thing I do best is build. But you put a new roof, as I did with the Commodore Hotel into the Grand Hyatt. You put a brand new 20 or 30 year roof, that's a guaranteed roof, and now your roof is done. Like an umbrella. And then you bring the skin down. And as you're bringing the skin down, you're taking the old skin off.

So by the time, and you literally have very little gap, very little space. But you're bringing the new skin down, and it's just...think of an umbrella. You're bringing the brand...and you should put new skin. This skin has been up there for many, sixty years. It's over. Now you can copy the skin identically. You can copy the color of the glass identically. You can bring in all the modern technology, including triple pane or double pane glass, in terms of heat and cooling and everything else. But you bring the skin down, and as it's...you have scaffold...and as it's coming down, the old skin is coming off. Everything sealed up beautifully. In the meantime, inside, your pipes are going up, your asbestos is coming out, your electric is being redone. You have companies that do nothing but redo electric. Now, these are different companies. You have companies that do new electric. They wouldn't know how to redo electric. Then you have companies that redo electric. They don't know how to do new electric. I mean, it's just a specialty. But you have special people that redo apartments, which are being renovated all the time, with people in possession, that redo all sorts of buildings. I just built a building on Park Avenue and 59th Street. I had tenants in possession when I did it. I mean, I built a major building, essentially brand new. The old Delmonico Hotel. And I had people living in the building when I did a major, \$100 million dollar job. It's a \$200 million dollar building. So the concept of moving to another location, and getting everybody out of this building, is absolutely asinine, and will cost you so much money, you're not even going to believe it. And then, you're going to have to move in.

Many other things. When I did the Wollman Rink, the City of New York was bogged down for a period of seven years. They had spent \$21 million dollars. It was a tremendous embarrassment to the Koch administration. And I said I'd like to take over the project. And they said, the New York Times came out with an editorial. The New York Post came out with a great editorial. And they said let Trump do it. And finally, the

city let me do it, and I rebuilt...and believe me, I used nothing that was there before. Everything had to be gutted out, because it was totally, incompetently done. Seven years, \$21 million dollars. I redid it, and the Senator remembers this very well, I guess. I redid it in three months for \$1.8 million dollars, and it opened, and I still run it today, and that was quite a while ago. This is no different, and in fact, in a certain way, this is even easier. All week long, you have tenants in New York renovating their space. You have buildings being renovated with what we call tenants in possession. I mean, there are tenants in possession...they're in possession of the space.

Now, I listened to one thing, and I've seen one thing, and one number that sticks out more than all of the rest. Because whether or not somebody doesn't know what New York Steam is, or what boilers are, and whether or not they have boiler rooms, which the people at the United Nations didn't do. But the number of \$44 million dollars for an architect, is one of the great numbers in the history...In fact, I think this man is a genius, whoever he may be, wherever he may be in Italy. I think he's a great genius. I would like to meet him. He is, without question, the richest architect in the world. And I listened, as one person said, I think they only got \$500,000. Another person said, I think they got a million, and then changed their mind, and it was \$7.8 million. And then I listened to Senator Sessions, who actually did his homework, said they got paid \$27 million dollars, because you were able to check the books. So they got paid \$27 million dollars. They haven't done anything. They don't even have plans. Nobody even knows what they're building, and they got paid \$27 million dollars.

Now, I have respect for a lot of people. And I have great respect for architects. But I'm going to give you an example. The tallest residential building in the world, my architect got paid approximately \$1.5 million dollars. This architect got \$44 million dollars. A building at 40 Wall Street, my architect got paid, believe me, peanuts. I think less than \$1.5 million. In Chicago, where I'm building a building of 92 stories at the old Sun Times site, 2.7 million square feet, which is more than the United Nations, if you add up all of the projects that they're talking about, it's larger. Substantially larger. I'm spending \$600 million dollars, and they're saying they're going to spend \$1.2 billion. So they're spending much more...and this is a 92 story building with brand new structure, brand new foundations. I'm building all the roads...Mayor Daley made me build roads around the building. I had no choice, otherwise, if you know Mayor Daley, you're not going to build the building. He's a great mayor, but he made me do that. So all of this is \$600 million dollars, and they're spending \$1.2.

Now, there is no way they're spending \$1.2 billion dollars, in my opinion, and based on what I've heard. When they'd spent \$27 million dollars, and terminated the architect, there's big trouble. Because I don't think they have a new architect. So if they don't have a new architect, who's going to do the plans? And who's going to do the bidding? Because in order to do a job, you have to have a complete set of plans and specs. If you don't have a complete, complete, finished, over, set of plans and specs, you have nothing to bid on. There's no way you can bid. The worst thing you can do, and you said you were in the home building business for a while...the worst thing you can do, as you know, is start a job without complete plans and specs. Because the sub-contractors will eat your lunch,

right? So, it's one of those things. So they don't even have an architect. They spent \$27 million dollars, and they don't have an architect. Now, I have asked, on numerous occasions, to go in, and I would help them. I would love to help them. I don't want any money. I want nothing. I've made a lot of money. I don't care. I want nothing. There are lots of different...you know, if somebody said, what would be your dream on this site, while my dream is a dream that won't happen, but it's a dream that I might tell you. It's a dream to take the United Nations, and the Senator over here is probably going to go crazy, move it to the World Trade Center as a brand new United Nations. Sell the United Nations site, which is one of the greatest sites in the world, for much more money than the whole thing would cost, and you end up building a free United Nations at the World Trade Center, where I don't think anybody's going to want to stay anyway. I think it's going to be a very, very hard rent up at the World Trade Center.

But let's assume that's not going to happen. Not a bad idea, though.

But the fact is that the United Nations building, with all of its buildings, with its parking, should be completed, and I mean completed at a cost of \$700 million dollars. And it's my opinion that it will not be completed for less than three to three and a half billion dollars. They don't know what they're getting into. And please remember this, as somebody that's probably built as much as anybody my age anywhere. I don't know of anybody that's built more. If you don't have a complete set of plans and specifications, there is no way you can build. And from what I understand, they don't even have an architect.

One final point. They give you some nice firms. Turner and this one, and Theobald, and Gardner and Theobald...The fact is, that I can take those same firms, and tell them the way I want it built, and those same firms will come up with prices that are half the price that they're coming up with. They're being told what to do by people that don't know what they're doing. So if I take Turner Construction, which is fine, or if I take a couple of others...and by the way.. When I say fine, fine, but Rolls-Royce. They spend money. But if I take a couple of those firms, and if I show them the right way to do it, and if I lead them down the right way, which is really what a good developer does, that number they're coming up with, will be cut in half. So, that's it. Congratulations. You've got yourself a mess on your hands.

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