



George Kaufman of Kaufman Org. leaves behind a legacy - by Thomas Kearns

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George Kaufman, a long time client and mentor, died recently. He was the chairman of Kaufman Organization, a well-known owner of New York area office buildings and Kaufman Astoria Studios. His death started me thinking about what I learned from George both personally, and professionally, over more than 30 years and what made him and his partners unique. George and his partners prospered through multiple real estate recessions, somehow always winding up even better off after the cycle had played out. George's numerous life-guiding principals included:

George Kaufman,
Kaufman Org.

Partner Up – Welcome partners. Share the upside and the downside. Charge your partners reasonable fees and promote and treat them well. They can introduce you to new deals and contribute in unexpected ways.

Treat Tenants Well – Work and compromise with tenants during down times and when they are having financial difficulties. Charge healthy rents but don't gouge and exploit them just because the market is good.

Don't Over Leverage – If a building is worth purchasing, put sufficient equity behind it. Leverage is great if it's measured. Over leveraging causes distress during downturns.

Non-Recourse Is Best – At the first loan closing I ever did with him, George sat down at the closing table and said, "Tom, show me the non-recourse section." He didn't inquire about the other loan covenants. In the 30 years I represented him, he never gave a building back to a lender or suffered a foreclosure. But keeping leverage low and having non-recourse loans let him rest easy.

Never Sell – Of course, the New York market has done very well since the 1950's when George became active in the real estate market but George always said that the only deals he regretted were the deals he sold.

Hire Good People – George was the consummate big picture, idea person—he relied extensively on his team in the office for day to day management. His senior executives were with him for decades. George treated them well and they reciprocated by performing at a high level and by protecting his interests.

Resolve Disputes Without Litigation – Yes, you will always have wise guy tenants or partners that will require court intervention but George disdained the now common use of litigation as a economic pressure weapon. He always felt it was better to work out disputes even if that meant walking away from situations where others would have litigated.

Stay Connected – Live in the area where you invest. Socialize with others, even competitors. Contribute to worthy causes and join charitable boards to help others. You will meet like-minded people who might introduce to you a deal or speak well of you to a future investor or counterparty. Most important, it's just the right thing to do.

Have Fun, Enjoy Yourself – Find the deals that excite or challenge you. George loved the movie production business. He loved the idea of a new office building in a neighborhood with potential. He was excited about those deals and they kept him young.

I will forever miss his almost daily phone call, “Tom, what’s going on? Hear of any deals? Let me know if you hear of anything. Love you.”

Love you too, George.

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