

The Closing: Bruce Stachenfeld

The commercial real estate power attorney gets philosophical on dealmaking, fear and sleazeballs

BY KEITH LARSEN

Guests in Bruce Stachenfeld's Midtown office are greeted by stuffed hedgehogs, half-empty bottles of Scotch and a snorting plastic pig. In conversation, he gives off the air of a classics professor rather than a New York real estate bruiser.

But when the industry's largest players need to orchestrate a joint venture or structure preferred equity, they often turn to him. The attorney has represented Angelo Gordon & Company for 25 years, which helped kick-start his law firm, Duval & Stachenfeld. The firm's 40 attorneys compete with major players such as Fried Frank and Greenberg Traurig for clients such as the Abu Dhabi Investment Authority, Lightstone Group, RXR Realty, Savanna and Silverstein Properties.

Stachenfeld stepped down as managing partner to become chair in 2018, and now mentors the next generation of dealmakers. He pens his thoughts in a newsletter, "The Real Estate Philosopher," which he compiled into a book in August. One take, from the Greek poet Archilochus: "The fox knows many things, but the hedgehog knows one big thing." Stachenfeld advocates being a hedgehog — so much so that he provides a stuffed one to every client.

But "one big thing" doesn't quite capture Stachenfeld. The two-time Ironman is also a proptech investor and the author of an 800-page novel about revenge, set in Colonial times. He's hard to put in a box, but maybe that's what makes him worth listening to.

Born: July 19, 1958

Lives: Chatham, New Jersey

Hometown: Scarsdale, New York

Family: Married, two children

In your book, you mention a formative experience in junior high.

I was coming into American history class, sitting down bright-eyed and bushy-tailed. Mr. Feig comes in, and without any preamble, he says, "This country should be run by the elite. Because the elite are educated, they're the ones that know what's going on. No one else should vote." He is like 6 inches from this poor girl, and he says to her, "What do you think?" She's sputtering, "But it's wrong."



PHOTO BY EMILY ASSIRAN

Bruce Stachenfeld.

He stood up and he looked at her so contemptuously. "Oh, what a great argument, you've convinced me I'm wrong, I'm wrong." And then he literally humiliated her for an hour, while the rest of us were utterly scared. It wasn't that easy to talk him out of his positions, but he insisted you'd have to have a coherent, thought-based argument as to why he was wrong. It totally changed my life. He was teaching me how to think.

You were a math guy in college. How did you get into law?

I had a good friend. Alan was really good at drinking and drugs. I was called "Stachen Straight," because I was the only one that didn't smoke pot in high school.

I took a class called Engineering Science 1. The teacher gave us 10 problems. I spent the whole day, I got one problem done. It just wasn't really clicking. So I said to my friend, Alan, "Yeah, those problems were really hard." He said, "Yeah, they were. It took me an hour." And that's when I realized I wasn't an engineer.

“I was kind of in this stupid death loop. I was programmed to work all the time.”

Somebody said to me the next day, “What are you going to do if you’re not going to be an engineer?” I remember saying these words, but I have no idea where they came from: “I’m going to be a lawyer, and I’m going to Harvard Law School.” And I do remember the dean telling me, “Bruce, that’s a foolish goal. You’ll never get into Harvard Law. No one from Tufts has gotten in in like 10 years. It’s impossible,” which was probably the right thing to say to me. I just worked like an absolute demon, and I was able to get into Harvard Law School.

Do you have a favorite philosopher?

I would say that the one that influenced me the most was John Rawls. And what John Rawls is famous for is his original position: Before you’re born, you don’t know whether you’re going to be born smart or stupid, hardworking, lazy, healthy or sick, rich, poor, male, female, you know nothing about who you’ll be when you come into the world. That’s the original position. When you’re thinking about what would be a good society, what are the rights and wrongs, morality, politics, anything, you should reason from that position.

Do you think about that when you’re representing developers?

Not particularly. But I try to avoid three types of people: sleazeballs, assholes and morons. Because we don’t really have that much ability to help or desire to help those kinds of people. A lot of the help involves connecting one person trying to do one thing with another person that could help. The last thing you would want to do is try to connect somebody that you say, “Well, this guy is a sleazeball — you should really meet him.”

You don’t know how much business you lose by treating people disrespectfully.

Why do you identify with hedgehogs?

It comes from a book by Jim Collins, who you might call a business philosopher. He explains that the hedgehog is an animal that does one thing: curls up in a ball when attacked. But it does it incredibly well. And his theory is that great companies figure out a hedgehog principle, which is one thing they can do better than anyone, and that launches them. It has to be something that drives your economic engine, something you’re passionate about and something you can be the best in the world at. And I added a fourth, which is you don’t just decree it — you have to discover it about yourself or about your organization.

How did Angelo Gordon become a client?

I was at Mayer Brown Platt. Angelo Gordon was teamed up with a third party to buy a piece of property. We were buying these properties from Fuji Bank. The transaction closed. The clients were impressed. Once they bought the two properties, they wanted to sell the second very quickly.



PHOTO BY EMILY ASSIRAN

In those days, there was a tax that was effectively called the “Cuomo tax.” If you bought property in New York, when you sold it you would pay 10 percent of your gain to the state. The real estate industry hated this. So the clients decided I would do the work selling the property. There’d be a \$2 million gain, which would mean a \$200,000 tax. I came up with a structure that was pretty far-fetched to legitimately avoid the tax. It involved some hassles for the clients, and they didn’t really want to do it. I kind of badgered them into it. To everyone’s surprise, it worked. The state signed off on our structure and did not pose the tax. That really started out the relationship.

You bill yourself as one of the first to structure preferred-equity deals.

We had a client that used to do its deals where they would be the money part in the joint venture. And then, in addition, they would loan money to the joint ventures, so they were kind of lending money partially to themselves. I looked at that structure again. I was just an associate at this time. I said, this doesn’t seem like a great idea, because you are putting yourself in a dangerous situation. As a lender, you can have lender liability, and then as a borrower, you can have breach of fiduciary duties because you are on both sides of the transaction. So I said to the client, put the lending money into the joint venture as preferred equity. So now it would really just be an additional tranche of stock or ownership interest. I created a form of preferred equity from scratch that over the years, of course, we honed and got better.

Where did you meet your wife?

In a karate school. She’s now a fifth-degree black belt in Isshin-ryu karate. The biggest success story in my life is my marriage. I am totally nuts about her. I would do anything for her. And she claims to feel the same way about me. We’ve been very fortunate. We’ve been married for 36 years. And I do want to show you what she got me for our 35th wedding anniversary. So I got her a diamond necklace. She got me this [a snorting plastic pig], because we collect pigs.

You have two children. How did you balance work and parenthood?

At the beginning — you probably saw the movie “The Firm,” where the guy was working really hard — I was working much harder than he [Tom Cruise’s character] was. I was working every minute of every day. I don’t think I managed my time at all. I completely neglected my family for the first three years when the firm started. And I did it for a reason. It wasn’t stupidity. I had this great chance to start a great law firm. I knew if I succeeded it would be great for my family.

What’s with the Scotch collection in your office?

My favorite Scotch is Macallan. And I have been drinking that for a while. And I had this idea that I could put a little thing there [points to his Scotch collection in the office] and clients will come by some time and you know, we’ll sit and have a drink and talk about whatever it happens to be. Ironically, the more Scotch I have, the less I drink.

Do you have any extravagances?

I have a beach house in Cape May that is on the ocean. It is my pride and joy. I love going there and writing my fiction books, and I love to play music while I do it.

We collect pigs at my house. We have a pig topiary in the yard. Everyone thinks it’s a little strange. We have several thousand pigs throughout the house. Any time someone wants to get us a gift, it’s a pig. There are pig pictures, pig tchotchkes, pig everything. My wife’s nickname is Sweetie Pig. The charity we started is called the Sweetie Pig Foundation.

You are a two-time Ironman. Any plans for a third?

No, no, heavens, no. I remember, when we started the firm, I worked more than 3,000, probably more than 4,000 hours the first few years. It was absolute insanity. My diet consisted of Chinese food in the morning, really healthy. And so I started to get bigger and bigger. I probably gained 50 pounds. And one day I looked in the mirror and I did not like how I looked. I looked like shit. And I remember I just turned 40. I was with my friend kind of wallowing in a pool, and I said, “Why don’t we run an Ironman when we turn 45?” He looked at me like, “Bruce, you can’t walk up the stairs, let alone an Ironman.” I don’t know what came over me. But I started training, little by little, and it took nine years, until I was 49.

How do you overcome failure?

The biggest failure of my life was also the most wonderful thing at the same time. When I got out of law school, I didn’t realize it, but I was kind of in this stupid death loop. I was programmed to work all the time. I wanted to be a partner at Latham & Watkins, where I was, more than anything in the world. Instead, I got fired. It was the most horrible thing in my life. I was probably clinically depressed. I couldn’t get out of bed. I was just lying there. And it was just like, my life has been destroyed. And then, you know, it passed. And then I don’t know why, but I sort of felt kind of happy. I was no longer supposed to work all the time. Instead, it was more my option to work. But the thing that I would advise other people who are asking the question is this: Probably the biggest reason I’ve been successful in my life is I am not afraid to fail.

What is something that real estate professionals should be thinking about as New York bounces back from the pandemic?

Warren Buffett has a great quote, “Be greedy when others are fearful, be fearful when others are greedy.” Right now, there’s so much going on, there’s so much money in the system, everybody is feeling like things are only going to go up. So I would be thinking about what could go wrong and whether I was properly positioned. The most obvious question is, will interest rates lock it up? People have been predicting that for something like 15 years, and they’ve been wrong every year. Maybe that will continue. But I wonder, if inflation and interest rates go up dramatically, is that going to harm the valuations of properties or make some that you basically can’t make the mortgage payments anymore, or you can’t refinance? I would be thinking about what could go wrong and making sure as best as possible that I enjoy the fruits of things going up, but prepare for something going the wrong way.

What’s been your biggest professional regret?

I didn’t really think about marketing until I hit age 50. And I just kind of went on an odyssey to figure out how to do marketing successfully. It was a lot of empirical try, fail. The biggest career regret is that nobody really taught me any of these things or even kind of put me onto the idea that lawyers are supposed to try to bring clients into a law firm ever. And even when I started my own firm, I didn’t know that. I wish that I had had somebody mentoring me back in the beginning. But I was so arrogant and pigheaded I probably wouldn’t have listened.