

As the sequel to “The Developer”, Alexander Kellogg continues his quest to build iconic office buildings using bravado and deceit, clashing with multiple foes and allying with strategic enablers to enhance his reputation.

The Developer: Phase II (Building on Bravado)

By Stephen P. Bye

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THE DEVELOPER

PHASE II

BUILDING ON BRAVADO



Stephen P. Bye

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Chapter Fifteen

Alexander Kellogg craved publicity. He called Arnie Long, the business editor of *The Rocky Mountain News*, pretending to be the publisher of a new national real estate magazine, based New York City. To alter his voice, Kellogg pinched his nose, creating a nasally sound.

“Good morning, Mr. Long. This is Max Gordon calling from New York. I’m the publisher of *Tycoons*, a new magazine we’re launching this month. We’re doing a monthly profile of major business players across the United States. We’ve chosen a Denver real estate developer for our November edition, and I thought you would be a great source of information.”

“Are you profiling Abe Friedman?”

There was a long pause. “I’ve never heard of anyone named Friedman...I’m talking about Alexander Kellogg III. I understand he is often called Xander Kellogg.”

“Oh, yeah...his company is called Kellogg Development. He’s building a couple of office projects in Denver. I’ve covered two of his zoning hearings, although I’ve actually never met him.”

“Our sources have told us he is one of the most dynamic real estate developers in the country...he solves complex land acquisitions and is a creative negotiator. We’ve heard that he is changing Denver’s skyline.”

“Mr. Gordon, I can confirm his company has a new thirty-five story office tower under construction in downtown Denver. It’s nearly a million square feet...possibly the largest office by size, but certainly not the tallest.”

“Here in New York City, the World Trade Center Towers are the highest buildings, but doesn’t compare in quality to other luxury projects, like a fifty-eight tower which is currently under construction at 725 5th Avenue in Manhattan. We understand Kellogg Tower will be the most luxurious office project in Denver with incomparable amenities.”

“Really...I had no idea. The project broke ground a few months ago...about fifteen stories of steel have been erected so far.”

“I understand Kellogg also strategically assembled several parcels of land called Kellogg Center...the first phase is a twelve-story office building under construction overlooking I-25.”

“Yes...I see construction is progressing on the site near Colorado Boulevard.”

“Mr. Long, did I hear you covered zoning hearings for Kellogg’s projects.”

“Yes...in Aurora. He was extremely aggressive with his arguments with the city council and ultimately got the site rezoned from a car dealership. A ten-story office building recently broke ground...about 400,000 square feet.”

“When it’s topped off, will it be the tallest building in Aurora?”

“Yes, but most Aurora offices are typical low-rise buildings...two or three stories, Mr. Gordon. “That project will definitely dominate the Aurora skyline.

“Wow!” Five seconds passed. “Just checking my notes, Mr. Long. I understand Kellogg also built two major office projects in Lakewood...SGB Tower and a 300,000 square foot government office building for the Department of the Interior. In addition, he’s redeveloping an old, vacated school and church in a run-down neighborhood near two hospitals, which should revitalize the area.

He also graciously allowed the buildings to be dedicated as historical landmarks by the Denver Preservation Authority, which shows he's a good corporate citizen."

"I forgot about those developments...I guess Kellogg is a bigger player than I realized. You seem extraordinarily informed about a local businessman. How did you hear about him?"

"Our sources are everywhere, Mr. Long. We also discovered Mr. Kellogg bought an insolvent S&L, Granite Savings, saving the taxpayers millions of dollars."

"We reported on Granite Savings capital problems, but I didn't know it had been sold."

"Granite Savings was run like a house of cards by a Denver scam artist named Wilhelm Quigley. Kellogg recapitalized the thrift and renamed it Kellogg Savings...it's the fastest growing financial institution in Denver."

"I've interviewed Quigley a few times. He's under a criminal probe by the Department of Revenue for sales tax fraud."

"Arnie, it seems like you're focused on criminals like Quigley, rather than dynamic businessmen, like Alexander Kellogg."

Long didn't respond, so Kellogg continued. "Xander Kellogg told me he's ready to announce a blockbuster project before the end of the year, but is still in negotiation with landowners, so he couldn't reveal any details. Have you heard about that deal?"

"No, but that would certainly make headline news."

"Mr. Long, I know most folks, especially in New York, still consider Denver a dusty cow town. However, when we learn a dynamic businessman, like Alexander Kellogg, is changing the visual landscape of a city, we pay attention. We also like his nickname...Mr. X...it's very provocative."

“I’ll have to check out more background information about Mr. Kellogg.”

“Thank you for your time, Mr. Long. You’ve been extremely helpful.” Kellogg hung up abruptly before Arnie Long could respond.

Thirty minutes later, Brenda Dunston informed Kellogg he had a call from Arnie Long, the business editor of *The Rocky Mountain News*.

“Good morning, Mr. Kellogg. This is Arnie Long...I’m the business editor for *The Rocky Mountain News*. I’ve wanted to speak with you for some time.”

“Mr. Long, thanks for calling...can I call you Arnie?”

“Sure...do you have some time right now for an interview? I want to write an article about you and run it next week.”

“I was just walking out for a staff meeting, but I’ll cancel it...hold on.” Kellogg waited a minute and picked up the receiver again. “All set, Arnie...ask me your questions.”

“Thank you for your time, Mr. Kellogg. My staff recently made me aware of the number of office developments you have embarked on... it’s quite an impressive list.”

“Arnie, I have an incredible ability to uncover complex opportunities and the vision to execute a successful game plan.”

“Can you give me an example, Mr. Kellogg?”

“Arnie...let me take you back to the early days of Kellogg Development Company. In the early 1970’s, many clueless apartment and condominium developers overbuilt the residential market in Denver. The projects were financed by stupid real estate mortgage trusts and gullible money center banks in New York who

didn't do their homework. When the developers began to experience financial problems, I bought the lender's notes at huge discounts and foreclosed on the loans. I often had to build out the partially completed projects and correct complex engineering problems, but it paid off in spades. When Denver began to recover in 1974, I constructed new apartments on the excess land I also foreclosed on. All told, I controlled about ten thousand units and decided to sell at extraordinary profits in 1976 and 1977...perfect timing. You've got to know how to take advantage of Denver's 'boom and bust' cycles."

"Sir, I had no idea you were such a major player in the apartment market. What prompted you to jump into the office development arena?"

"Developing office projects is much more glamorous...opportunities to build iconic buildings to define my legacy. Kellogg Tower will be labeled an architectural jewel when it's completed, although I'm close to announcing another massive project that will dramatically alter the Denver skyline."

"Can you provide more specifics on your proposed deal? It sounds exciting."

"Not now...but I'll make a note to give you the scoop when I'm ready to announce it."

"Thank you. I've heard you rely on high leverage to finance your projects...is that true?"

"Arnie...the ultimate goal is to maximize my rate of return on any deal, regardless how it's capitalized."

"Aren't you concerned about rising interest rates?"

"No...they are peaking and will soon drop."

"Mr. Kellogg, please tell me about the Department of the Interior project you developed in Lakewood."

“I was bidding on the project as a general contractor when the GSA discovered their Federal Center site was a habitat for an endangered species. Through my brilliant research, I uncovered an outdoor movie theatre site and skillfully rezoned it for office use. I immediately stepped in as the developer, negotiated a long-term lease, and built the project to meet the occupancy deadline. Some government people have mentioned I may receive a special award for the project.”

“President Reagan has initiated significant changes in the tax code to promote business and has given real estate developers huge benefits. His opponents have labeled his economic policies as financial wizardry with his trickle-down theories. What’s your opinion?”

“Jimmy Carter’s administration caused this horrific recession and allowed these ridiculous interest rates to explode. Fortunately, Reagan has initiated creative policies to help the business community. My projects generate hundreds of good-paying construction jobs, as well as massive employment in the concrete and steel industries. The taxes I pay on my developments generate funds for schools, hospitals, and many critical functions of local government.”

“I see...you’ve also won accolades from city officials and the Denver Historical Preservation Authority for the redevelopment of St. Christopher’s School and Church...tell me more about that.”

“That’s another great story, Arnie. I heard the property was listed for sale by the Archdiocese and drove past it one day, recalling I attended the fourth grade there...it brought back some fond memories. I decided to buy the property and preserve the exquisite architecture, so I met with the Denver Preservation Authority and convinced them to grant a historical landmark status for the buildings. The National Park System also declared it a historical project. Of course, the age of the buildings created extensive

challenges for renovating the interior for medical office use and ran up the costs, but I was determined to fight through the problems.”

“If you wanted to preserve history, why didn’t you rename the building St. Christopher’s Medical Center?”

Kellogg grunted, objecting to the question. “Doctors would have never made a connection with a defunct old school, even after the renovation, but Kellogg is a brand name...when I announced the project as Kellogg Medical Plaza, it leased up overnight.”

“This may be a difficult question for you, Mr. Kellogg...but I understand you’ve had some trouble with the law and your son is currently serving a sentence for manslaughter. What...”

Kellogg cut him off. “Next question...Mr. Long.”

“Ahh...I covered two rezoning hearings for your office project in Aurora and was impressed with your aggressive tactics. Can you comment?”

“Sure...I often need to take control to solve a problem with a governmental authority. Two members of the Aurora City Council had conflicts of interest and the entities opposing the zoning change lied about several things. In fairness to the taxpayers of Aurora, I had to expose the fraud.”

“I understand the project is named Aurora Tower...”

Kellogg instantly interrupted. “No...it’s called KELLOGG Aurora Tower. The building will be the tallest project in the community and will generate hundreds of local jobs and millions in tax revenue.”

“What about the views you’ve destroyed for the adjacent residential neighborhoods?”

“Views? When I see a beautiful 10-story office building being erected, I see jobs, jobs, jobs! In any event, people’s views

occasionally need to be sacrificed for progress. Denver would still be prairie land if smart developers like me hadn't pressed forward and ruffled a few feathers to create a major city in the U.S."

"I understand that you recently purchased a local bank...I was on an extended vacation at the time, so we missed it."

"Wilhelm Quigley owned Granite Savings, a small state-chartered bank, located on Federal Boulevard. Quigley used it as his personal piggy bank as all their commercial loans were made to him on his properties...even his home. The bank also bought hundreds of single-family loans from brokers across the country...more than half were in default, leading to Granite's insolvency."

"We've covered the story on Granite's capital ratios and Quigley's problems with the Department of Revenue."

"Quigley ran the bank into the toilet. It cost the taxpayers millions of dollars, but that's not the entire saga."

"What else happened, Mr. Kellogg?"

"As a state-chartered savings bank, the overseer was the Colorado Bank Regulatory Agency, who supervised the bank during the insolvency period over several months. The Agency was clueless when Granite's board of directors approved the refinancing of loans for Quigley's properties. The loans excluded traditional documentation...no appraisals...no financial statements...no leases or rent rolls...nothing! After I bought the bank, we discovered the loan documents hidden in a basement storage closet."

"You mean the regulators missed it all?"

"Absolutely...and they refused to take action against Quigley and the other board members for the illegal behavior. Under the supervisory decree, every loan over \$100,000 required the approval of the Agency."

“Who were Granite’s board members?”

“Quigley, Henry Buckingham, and Fred Hawthorne, a local dentist. The bank’s manager was an idiot named Richard Torkelson.”

“Henry Buckingham...the prominent lawyer and partner with the Buckingham-Smith Law Firm?”

“Yep...he’s the one. The FDIC was also involved in the supervision and sale negotiations, so check with them on the story too.”

“Wow...that’s an incredible story. We’ll do more research. I have only one more question, Mr. Kellogg. I’ve heard that you’re an aficionado of classic cars and that you drive a vintage automobile yourself.”

“The tale is true, although I have a chauffeur. I recently bought a 1953 Austin Sheerline limousine from a collector in New York. The steering wheel is even on the right side. I owned a Zimmer Golden Spirit, another classic motorcar, before it was stolen”

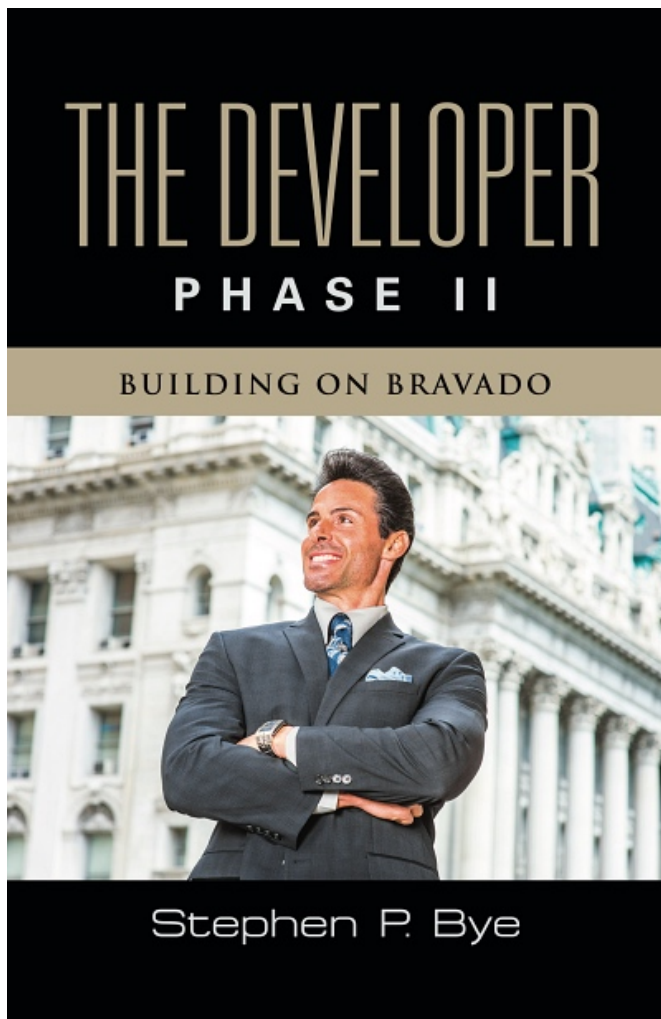
“Congratulations! For my article, I’d like to get a photo of you standing next to your car, perhaps with one of your office projects in the background. I’ll have our photographer call you for a time to get that done.”

“Sounds terrific, Arnie.”

“Okay...thanks so much for your time today, Mr. Kellogg. I hope to hear about your new project.”

Kellogg was surprised from a direct call from Otto Blackmon of Sherman Grant Blackmon. “Xander...I only have a minute but wanted to tell you that we’re shutting down.”

“Shutting down what?”



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