ARCHITECTURE VIEW

ADA LOUISE HUXTABLE

What's Best for Business Can Ravage Cities

Cities are built and unbuilt by the forces of law and economics, supply and demand, cash flow and the bottom line, far more than by the ideals, intentions, talents and visions of architects and planners. Right now, the conventional wisdom about investment construction—tear down the old and put up the new for maximum return on the land—is taking a beating. And so are cities, in terms of some of the things that the real estate recession is doing to the urban environment.

In New York, in particular, with tight money, inflation, cost overruns and a decade of commercial overbuilding, the traditional development pattern has bombed out. And so have a dismaying number of big new buildings. In an almost unprecedented situation, paralleled only by the great depression, completed skyscrapers stand empty or near-empty, deep in the red. Eerily silent sites attest to the fact that construction has stopped on important buildings. Costs have escalated beyond the possibility of satisfactory returns, and the money—in a business where virtually every penny is borrowed—has run out. Crisis has quietly turned into catastrophe, and not the least effect is the damage being done to the city itself.

• • •

The most cautionary tale comes from Chicago, where nothing could illustrate the problem more forcefully than the story of the Old Stock Exchange. In a casebook adherence to investment practice, Adler and Sullivan's landmark structure in Chicago's Loop was demolished for new construction in 1971. Critics and preservationists bled profusely in print before it came down, and even New York's Metropolitan Museum lusted after the 76-year-old Sullivan terra cotta ornament and rusticated ground floor arcades. Arguments about quality, style and the Chicago heritage were to no avail. The fate of the building, which stood on prime commercial land, was sealed with the statement that it was "economically unviable."

And so it was bulldozed, and a 43-story glass and steel replacement, called the Heller International Building, went up at 30 North LaSalle, backed by astute investors undeterred by art or sentimentality or anything but the higher truths of the real estate process. Sound business practice, as defined and revered by the development community, prevailed.

Ready for the big switch? The new building has proved to be "economically unviable." According to a report earlier this year by Rob Warden in the Chicago Daily News, the structure is in serious financial trouble. Among the gruesome details listed by Mr. Warden: the developers were unable

Continued on Page 30

What's Best for Business Can Ravage Cities

Continued from Page 1

to meet the $400,000 monthly payments on their $41.3-million first mortgage, a deal for a second mortgage fell through, and cost overruns sent the building's price tag soaring beyond the $48.3-million in total financing to $51-million. There has been legal action to avoid bankruptcy and a mad scramble for more money.

Anyone who keeps score on life's large and small architectural ironies has hit the jackpot on this one. What is economically unviable now is a big building barely distinguishable from any of the other $50-million jobs anywhere, and what was economically unviable before was a unique work of art and genius. Rehabilitation might have been considerably better. There is a bitter lesson here in economics and environment. Sound business practice turned out to be both unsound investment and destructive urbanism.

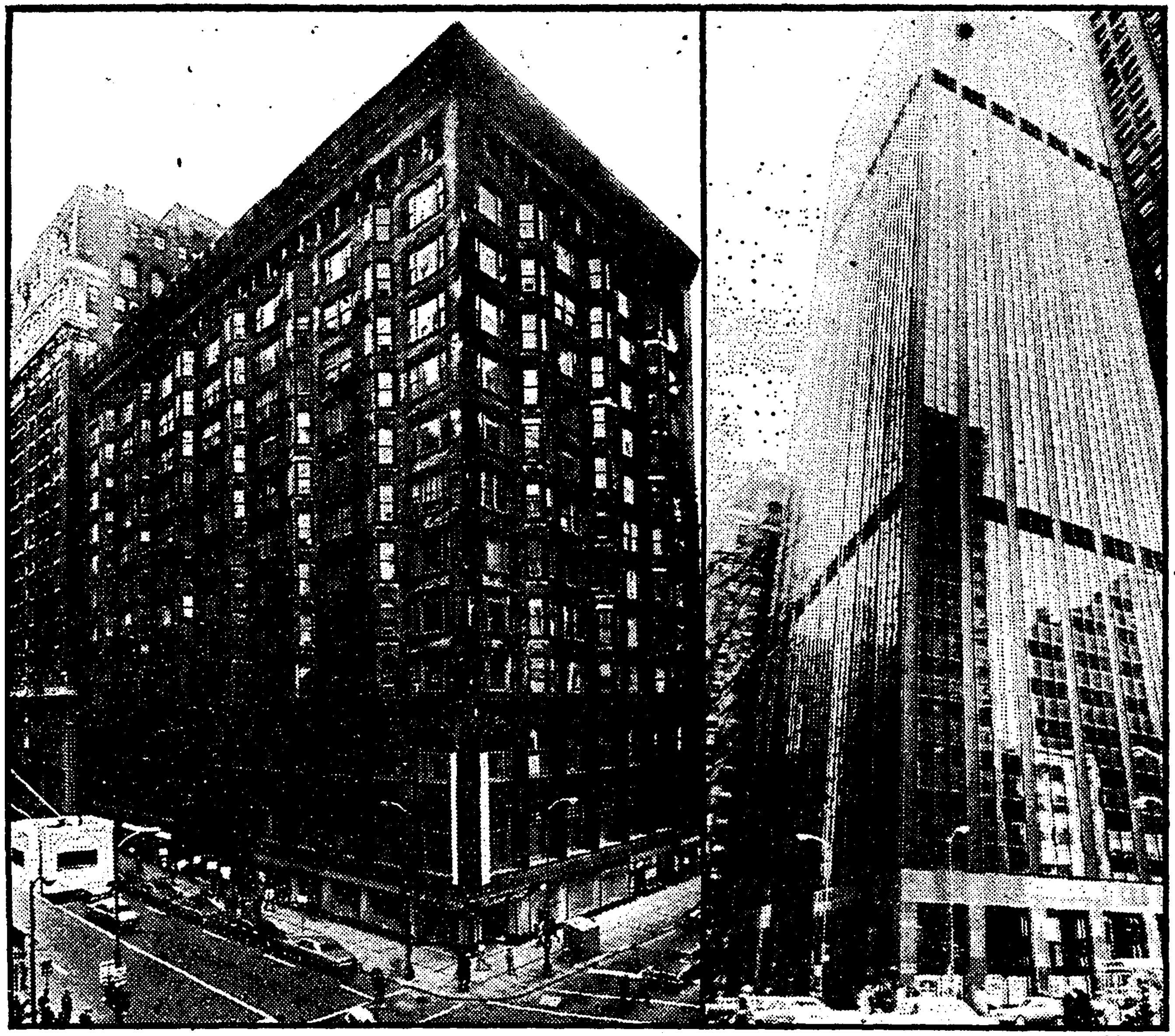
The Chicago tale has a clear application—and warning—for New York. The obvious parallel is Penn Central's determination to build a large new office tower making use of the air rights over Grand Central Terminal, or on the site itself. When the landmark designation of the terminal was overturned in a recent court decision, Penn Central and the developer won the right not only to use the air rights for new construction in this fashion, but even to demolish the existing building.

• • •

There is virtually no doubt that such a project, at this time, would run into the same kind of economic unviability in New York that the developers of the Stock Exchange site have suffered in Chicago, if not greater. The prognosis is resounding financial failure, in additional to the architectural impoverishment of the city. But no astute developer would be dumb enough to build under the present circumstances, you say? Probably not right now. But the fact is that some of New York's major new buildings, put up by astute developers in the 1970's, are currently huge money losers; they went right ahead, like the Stock Exchange developers, even with storm signals flying. The more conspicuous New York disasters include 1166 Avenue of the Americas (untenanted), Two New York Plaza (empty until sold recently at a huge loss), 1500 Broadway and 55 Water Street (running in the red). Their astute developers have taken an awful shellacking.

The situation is worse than anyone except real estate insiders realize. In addition to those ghostly, untenanted or partly filled new towers, construction has actually been halted on more than a half dozen major new buildings in New York. There is simply no action on the sites, which may range from gaping excavations to partial structures. Some are luxury apartment buildings. The Citicorp Building, a 46-story tower projected a year ago as one of New York's more eye-catching skyscrapers, luckily has its own bank, Citibank, to fund it.

The disaster is taking still other forms. Sound buildings are being destroyed not for new construction, as has always been the case in New York, but for that particularly blighting form of non-investment, the empty parking lot. The demolition is a hard-nosed way of saving



The New York Times/Gary Settle — Paul Sequeria

The sleek tower (right) that replaced Chicago's unique Old Stock Exchange turned out to be no more economically viable than the original.

taxes when the properties cease to be profitable, and no buyers or investment builders are in sight. It is a vicious form of disinvestment.

In New York, the size of such defaced sites makes bomb damage look puny. The Cities Service Company, which moved from New York to Tulsa, is attacking the Wall Street area by destroying six adjacent buildings that it owns on Wall and Pine between Pearl and William Streets. To pull out the jobs—and then add insult to injury by pulling down the buildings and the tax base—is, by any measure of social responsibility, unconscionable. When the Cities Service sabotage is complete, it will produce a vacant lot of more than an acre and tax savings for the company of $280,000 a year. There are times when sound business practice becomes the business of wrecking cities.

The W. R. Grace Company tore down a fine Renaissance-style structure at Pearl and Water Streets, at Hanover Square, for the inevitable parking lot, rather than maintain it and pay taxes on it. The Franklin Savings Bank further weakened the shaky West 42d Street area by demolishing a landmark quality building—for parking and taxes. Because there is no investors' market now or in the foreseeable future, these eyesores will remain and increase in number as older structures become unprofitable due to inflation and recession, with diminishing rental returns and rising fuel and operating costs. The possibility of demolition of Grand Central Terminal for tax savings—even without building a replacement—has undoubtedly occurred to the business minds involved. It is a terribly expensive blitz for the city not only in terms of taxes lost, but of sound buildings destroyed and devastating damage to the city's architectural and environmental quality.

• • •

The tax structure, of course, rewards unimproved property and demolition, giving benefits in inverse order to the owners' positive contributions to the city. And except for the device of tax relief in landmarks law, it works against preservation. (Under New York's landmarks law, it is impossible to give the only form of relief—tax abatement—to already tax-exempt institutions, which makes all landmarks owned by charitable or non-profit organizations hopelessly vulnerable.) A belated national study of the effects of assessment and tax policies on a city's planning, growth and preservation has recently been undertaken by HUD.

And so the ultimate shaper of cities turns out to be, for better or worse, so-called sound business practice, or economic viability. That this often distorts or destroys more than it contributes is becoming perilously clear in these troubled economic times. If there were no other way than to let sound business practice take its course, there would be little hope for the urban environment.

The planners have their role, however, which is to deal with these financial and legal realities, turning them into constructive tools in the service of an environmental vision. Among the tools are tax policies, zoning regulations, land use, codes, and design and legal controls, tied to the incentives of profit and loss. These devices not only profoundly affect the builders' bottom line, they guide the city's life processes toward desirable or undesirable patterns of growth and development. This is a kind of planning that New York needs more than ever, if it is to survive.