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As Tower Rises, So Do Efforts to Buy In

By Charles V. Bagli



The planned skyscraper once known as the Freedom Tower was scorned for years by urban planners, downtown residents and real estate executives who regarded it as an oversize and unnecessary exercise in waste and hubris.

But the acrimonious debates, cost overruns and lengthy delays in building the tower appear to be over. More than 1,400 workers are pouring concrete and installing girder upon girder. And with the red steel latticework for the obelisk-shape building now rising more than 240 feet at ground zero, it has turned into an object of desire.

Four major real estate developers are vying to buy a minority stake in the \$3.1 billion project and to take over the leasing and operating of the skyscraper. This week, the developers submitted their final offers to the owner, the [Port Authority of New York and New Jersey](#), which plans to pick a winner by June.

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“The building has real international significance, and it’s important for New York,” said Stephen M. Ross, chief executive of [Related Companies](#), one of the four companies competing for the \$100 million deal.

Despite the recent Cinderella-like transformation of [Freedom Tower](#), now known as 1 World Trade Center, it still faces a daunting challenge: whether it can attract private companies or will remain a heavily subsidized “government” building.

The Port Authority and its advisers at [Cushman & Wakefield](#) are pitching it as the most modern addition to the city’s skyline, with first-class restaurants and an observatory at the top that will attract business leaders and tourists alike.

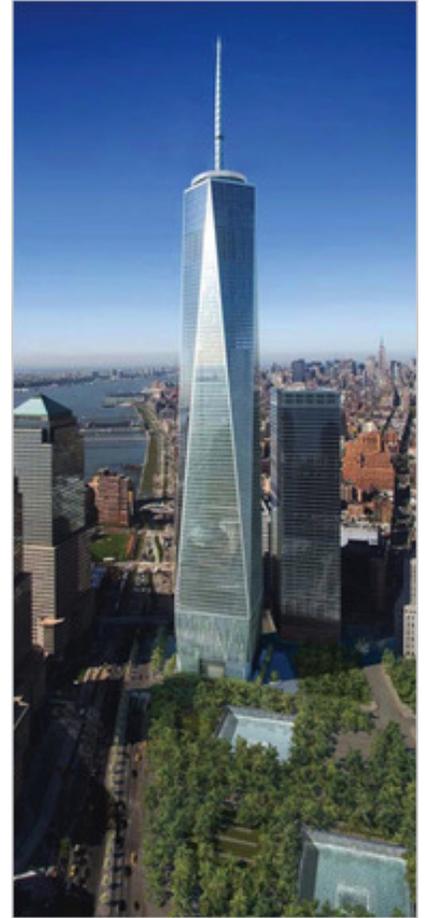
The developers seem to agree. Even [Douglas Durst](#), the chairman of the [Durst Organization](#), whose family opposed both the original World Trade Center and the version being built, has jumped into the competition for the tower, along with [Hines](#), an international real estate developer, and [Mortimer B. Zuckerman](#), the chairman of Boston Properties and the owner of The Daily News.

Vornado Realty Trust, a publicly traded company, and Brookfield Properties, the largest downtown landlord, have already been eliminated from the competition.

The competing developers acknowledge the immediate challenge of finding enough tenants for the building. But they say that a stake in 1 World Trade Center is a long-term investment in the future of the building and of Lower Manhattan. They said they were confident the area would rebound as both a residential and a commercial community, and some said they were also seeking the cachet of being associated with an internationally known skyscraper.

“You have to take a patient approach to your capital on this,” said Tommy Craig, a senior vice president for Hines. “It’s possible to structure the investment so that the risk that’s inherent is potentially offset by the return opportunities.”

One World Trade Center was a centerpiece of the master plan drawn up in 2003 by the architect [Daniel Libeskind](#). Gov. [George E. Pataki](#) added to its patriotic patina by dubbing it the Freedom Tower. [David M. Childs](#) of Skidmore, Owings & Merrill turned the drawing into a glass tower. But after the Police Department raised security concerns, he was forced to redesign it in 2005.



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In turn, corporate tenants and government workers declared they had no desire to move in. Some real estate executives railed against building so much expensive office space downtown without any tenants. [Eliot Spitzer](#) referred to it as a white elephant while he was running for governor but ultimately authorized its construction.

Initially, the building was “laden with negative symbolism and emblematic of the delays at ground zero,” said Julie Menin, the chairwoman of Community Board 1 in Manhattan, whose district includes the trade center site.

“Now,” she continued, “all these developers are vying for the site.”

The 104-story glass tower will sit on a 186-foot pedestal of prismatic glass covering a concrete-and-steel protective structure at the northwest corner of the 16-acre site. A 408-foot spire will rise from the top, bringing the total height to a symbolic 1,776 feet.

In an effort to kick-start the building, federal and state officials promised to lease a total of 1.2 million square feet, or about 40 percent of the tower. Since then, Vantone, a Chinese real estate company, has signed a lease for 190,000 square feet.

“The developers wouldn’t be interested in the building if they thought it was going to be all government,” said Tara Stacom, vice chairwoman of Cushman & Wakefield. “They, too, are convinced that this building will lease to private companies, professional and financial services.”

Even so, some developers acknowledge, a rent check from a government agency is as good as one from a private company — perhaps even more so, since it is usually reliable in coming.

Mr. Durst, one of the final bidders, said 1 World Trade Center was “going to be the best building downtown and the only building you’ll be able to rent in; we thought we’d go for it.”

Mr. Durst’s remark about the “only building” was a reference to the competition — [Larry Silverstein](#), who is known as an inexhaustible negotiator and is building 4 World Trade Center. The two buildings, which will be chasing the same tenants to fill more than one million square feet each, are set to open in 2013.

Mr. Silverstein’s tower also has government tenants — the Port Authority and city agencies. And Silverstein executives say their building, on Church Street, is closer to Wall Street and the financial district and, therefore, more likely to attract financial firms.

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“I do think they need to attract private companies,” Ms. Menin said. “Why should taxpayers have to pay so that various government agencies can have 60-story views at astronomical rents?”

Executives at the authority, who are optimistic about the tower’s prospects, said they had the expertise to build the tower themselves but were inviting developers in so they could have a partner, with a financial stake in its fate, who could skillfully deal with tenants and their needs.

They have hired two real estate companies, Cushman & Wakefield and Jones Lang LaSalle, for advice, and have brought in a marketing and branding firm based in London, Wordsearch, specializing in real estate.

“We believe that a private-sector partner with real estate expertise will best operate the building and maximize its value,” said Anthony Coscia, chairman of the Port Authority. “But we want to do this in a responsible manner that protects the long-term interests of the authority.”