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HEADLINE: Plans to Use Tax-Free Bonds for Midtown Tower Cause a Stir

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BODY:

Plans to build a 50-story headquarters for Bank of America on 42nd Street have stirred opposition from some real estate executives and civic groups because of the bank's request for \$650 million in tax-exempt bonds allocated for post-Sept. 11 rebuilding.

The critics do not object to the construction of the 2.1-million-square-foot tower near the Avenue of the Americas. But they said they do oppose the state and city using special subsidies designed to encourage the rebuilding of Lower Manhattan for projects in Midtown, particularly because some of the new office space will compete for tenants with acres of vacant office space downtown.

"The bonds were supposed to spur economic development in parts of the city that need it," Bettina Damiani, project director for Good Jobs New York. "The fact that they want to use them in Midtown is mind-boggling. What other area on the face of the planet is less needy?"

A major real estate executive, who spoke on condition of anonymity because he did not want to antagonize Mayor Michael R. Bloomberg, also objected. "It sends the wrong message," he said. "It looks like they're more focused on Midtown than down here."

City officials and some business groups countered that the Bank of America building, a joint venture with the developer Douglas Durst, would solidify New York's position as an international financial center, thereby making it a good candidate for the special tax-free financing known as Liberty Bonds.

"Their decision reinforces New York's pre-eminent position as a financial center," said Andrew M. Alper, president of the city's Economic Development Corporation. "We're happy to help them consolidate and grow their presence here."

The Bank of America project is scheduled for a public hearing on Sept. 29. The city has indicated that the project could get an unspecified amount of tax breaks.

A second project in Midtown has also set off criticism. Forest City Ratner has asked city officials for \$400 million in Liberty Bonds for its part of a new building on Eighth Avenue, between 40th and 41st Streets, which it is developing in partnership with The New York Times Company. But city and state officials said they have not decided what to do with Forest City's application.

The Times Company and Forest City Ratner reached an agreement with state officials more than two years ago to build a 52-story tower as part of a deal in which the newspaper got \$26.1 million in sales-tax breaks and other incentives. Now Forest City claims it needs the Liberty Bonds because it cannot obtain construction financing for its part of the tower.

In 2002, the federal government provided up to \$8 billion in Liberty Bonds for residential, commercial and utility projects to revive New York's economy after the September 2001 terror attack. The legislation for the bonds set aside up to \$2 billion for commercial projects

outside Lower Manhattan.

So far, state and city officials have approved \$400 million in bonds to rebuild 7 World Trade Center and \$113 million to erect an office building in Brooklyn for Bank of New York, which was forced to move some of its operations away from Lower Manhattan after the attack. So there is plenty of bond money available, but critics contend the special financing was never intended for thriving areas like Midtown.

Bank of America had more than 400 employees at the World Trade Center, as well as more than 2,000 in Midtown. After the bank announced plans to consolidate its operations in Manhattan, state and city officials tried unsuccessfully to persuade the company to move downtown. Instead, the bank focused on a proposal by Mr. Durst to build a new tower at 42nd Street and Avenue of the Americas.

Under the terms of its joint venture with Mr. Durst, the bank would move its investment banking and asset management operations to about 1.1 million square feet in the tower from two buildings in Midtown. The bank has told state and city officials that it would add 500 to 1,000 jobs.

"This is a very positive step in our economic recovery from 9/11, when financial services took a huge blow," said Kathryn S. Wylde, president of the New York City Partnership. "It in no way conflicts with the redevelopment of Lower Manhattan."

But critics argue that the bonds were not intended for Midtown office projects, or speculative office space.

Councilman Alan J. Gerson, who represents Lower Manhattan, said it was "an abuse of the program" to use Liberty Bonds where they were not needed, rather than in areas hit hardest by the aftermath of 9/11.

At a private meeting at the Carlyle Hotel last month with Mr. Alper of the Economic Development Corporation, William C. Rudin, John E. Zuccotti and other downtown property owners argued against using Liberty Bonds in Midtown, according to executives who attended the meeting. And at a meeting with members of the Real Estate Board of New York, other real estate executives voiced their opposition to Deputy Mayor Daniel L. Doctoroff. Carl B. Weisbrod, president of the Alliance for Downtown New York, did the same in a meeting with the Economic Development Corporation.