

# DEMOLITION ROW

The illegal destruction of three West 44th Street buildings has city officials up in arms. But the two landlords involved deny ordering the demolition and the contractor won't say who hired him.

By Jonathan Greenberg

**T**HE WORKMAN PARKED HIS CAR in the middle of West 44th Street east of Broadway and locked it. He expected it to be a long night. It was 5:30 on a chilly Monday afternoon, and it had just turned dark, or what passes for dark in the neon glow of Times Square. Nearby, thousands of commuters crept through traffic on their way home.

The workman's boss, demolisher Eddie Garofolo, asked a cop passing by if he could help block off the street. The cop, who had only three weeks of patrol duty under his belt, helped direct traffic away from the closed-off street. Pedestrians continued to pass.

An hour later, Barry Lipton, president of the Newspaper Guild of New York, left his union's headquarters at 133 West 44th Street to walk to the China Bowl restaurant across the street. The air was thick with dust and soot. Lipton watched in amazement as the most illicit demolition in the city's history took place.

A 100-foot crane dropped its heavy steel

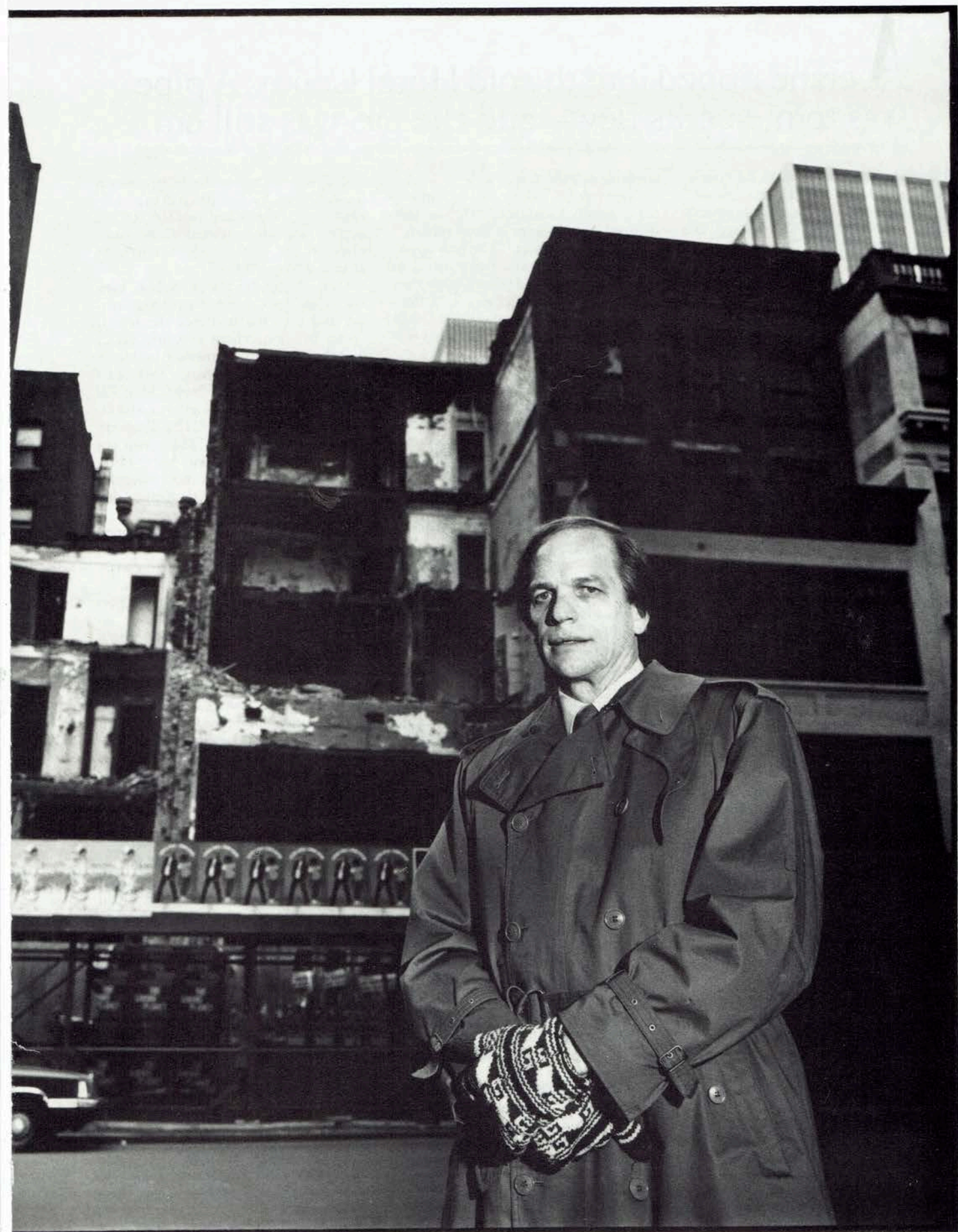
"clam" onto the marquee of the old Hotel Lenox, a vacated seven-story structure. Bricks, plaster, curtains, and glass spilled onto the street and sidewalk. A powerful bulldozer, with a 20-foot steel rake attached to its plow, rammed into another building. The rake latched on to pieces of the infrastructure, and as the bulldozer pulled away, the walls came tumbling down.

Lipton was being treated to a rare sight in midtown: This type of demolition has been banned from populated areas of the city for years. To add to the excitement, the water had not been turned off in the buildings Garofolo was beginning to attack. A sprinkler pipe was torn open, and water began streaming from the half-wrecked structure. Whoever ordered the demolition had also neglected to turn off the gas in the buildings. Fortunately for Lipton, and for hundreds in the area, the sparks the giant rake created did not fly into an open gas line. "They were playing with dynamite," says city buildings commissioner Charles M. Smith. "I guarantee you that if they had

*If the demolition had continued, says Smith, "an explosion would have occurred."*







PHOTOGRAPH BY JONATHAN BECKER



# A crane ripped into the old Hotel Lenox. A pipe was torn, sparks flew—and the gas was still on.

followed the demolition to its conclusion, an explosion would have occurred."

"There was no controlled demolition," Lipton recalls. "It looked like London after the blitz."

Suspicious, Lipton approached one of the workmen and asked him what was going on. "The building's in immediate danger of collapsing and we're taking it down," he was told. Lipton didn't buy it. After he entered the restaurant, he called the police.

A half hour later cops arrived. When Garofolo failed to produce a permit, they halted the demolition and waited for the buildings department inspector to arrive. Sergeant Tom Graham, of the Midtown South Precinct, says that Garofolo showed him a lease for the crane and then told him that the building's owner had gone downtown to pick up a permit. "He was trying to slip and slide," Graham explains.

By morning, the dust had cleared. The water and gas had been shut off, the street was closed, and the three half-demolished buildings had been cleaned up and left in a secure state. The mystery of what happened the previous night, however, had only begun.

## Whodunnit?

THE 44TH STREET DEMOLITION SAGA involves two of Manhattan's most controversial real estate lords: Sol Goldman, the owner of the 44th Street buildings at the time they were demolished, and Harry Macklowe, the man with the contract to buy them. Who was responsible for the illegal demolition is the subject of much interest in real estate circles. The fact is that both of these men suffer—or enjoy—reputations that lead people who know them to believe either capable of such action. But knowing whodunnit and proving whodunnit, as city attorneys are now finding out, are two very different things.

"There's no question Macklowe called the demolisher," Sol Goldman told *Manhattan, Inc.* "Macklowe wants to blame the contractor; Macklowe's still hiding out."

"He's busting his gut to talk," says Macklowe's lawyer, Jesse Masyr. "But I'm the bastard who won't let him." Macklowe, in court papers filed in response to a city lawsuit, denies having

anything to do with it.

"Harry doesn't deny that he did it to me," retorts Goldman. "He's a god-damned liar. He went in like a ruffian."

Shoots back Masyr, "The only appropriate response I could make would be what Jody Powell said when Lester Maddox called President Carter a liar." Powell's words were: "Being called a liar by Lester Maddox is like being called ugly by a frog."

A city official says, "We have a good case against Macklowe."

Harry Macklowe is an aggressive builder who started as a broker two decades ago, a climber now grappling for the project that could catapult him into the realm of real estate superstardom.

Sol Goldman doesn't like to build. But he buys and sells more real estate than anyone else in New York. He owns about 600 buildings, and he is worth perhaps \$500 million. He receives dozens of calls from brokers each week. But Goldman says he doesn't need to see a property to decide whether or not to buy it; he's got the entire Manhattan real estate map stored in his head.

In an industry known for its street fighters, few would care to step into a ring with either Harry Macklowe or Sol Goldman. When both of them wind up in the same ring, as in the case of the West 44th Street buildings, sparks are sure to fly.

## "Sharks in a Small Pond"

SOL GOLDMAN BOUGHT THE 44TH Street properties from the United States Steel and Carnegie Pension Fund in September 1978, as part of a seven-building deal. He paid \$499,000, which included five contiguous buildings on 44th Street, and two on 45th Street. The value was in the land—about 16,500 square feet, all told. It was a good parcel to hold on to, if the West Side were to make a comeback, and the price was right.

Three years later the price was right again, this time for Goldman to sell. Sol Goldman is not a man who becomes sentimentally attached to a property, and when Milbank Tweed attorney Larry Nelson offered him \$6 million, he didn't lose any sleep over his decision to take it.

Nelson was representing an undisclosed principal—Toronto-based devel-

oper Robert Campeau—who very much wanted to get his first piece of the Manhattan rock. Nelson laid out \$600,000 as a deposit, and imposed some minor conditions on the sale, to which Goldman agreed in May 1981.

One of the buildings Nelson contracted to buy contained a massage parlor, and he stipulated that the tenant vacate before his client took title. Goldman has a history of owning buildings with massage-parlor tenants. (Six years ago this prompted Jack Newfield of *The Village Voice* to write a stinging exposé on Goldman and title it, "The Property Pimp of Times Square.") Goldman got rid of the massage parlor, but Nelson contended that it was not done by the date promised and demanded his money back.

But Goldman doesn't return money easily. "I told Nelson, you want to walk, you have to pay the \$600,000," he says. Nelson disagreed; the lawsuit began.

Goldman sued Nelson for specific performance, insisting that Nelson go through with the deal. Goldman won a judgment to keep the deposit in May 1983. But by this time, the Times Square redevelopment deal had become a reality, and property values in the area had begun to soar. Suddenly, Goldman had a buyer willing to pay even more than \$6 million for the property. Campeau heard about this, and realized the likelihood of a quick profit. Soon it was Nelson insisting on going through with the deal he had tried to get out of a year earlier.

The new buyer was Harry Macklowe, who was offering \$9 million. With legal bills eating into his profits, Goldman struck a deal with Campeau: Goldman would keep the first \$6 million (the original 1981 purchase price) and split the remaining \$3 million fifty-fifty.

Macklowe had big plans for West 44th Street. In April 1984, he went to contract with Goldman to buy the seven buildings. He agreed to pay a \$1.7 million non-refundable deposit—\$900,000 down, and \$800,000 at the end of the year. He would take title and pay the principal in the beginning of 1985.

In May 1984, Macklowe bought the Hudson Theater adjoining the five buildings on West 44th Street, for a reported \$4 million. With another 11,500 square feet attached to the Goldman parcel, Macklowe's ambitious plans were looking good.

Another parcel attractive to Macklowe





*Sol Goldman says Macklowe did it. "I may like to fight for a buck, but I don't do that kind of business."*

was the Newspaper Guild headquarters, situated on a 6,000-square-foot lot east of his newly acquired theater. Macklowe met with guild president Barry Lipton to discuss the matter last April. He offered Lipton more than \$2 million for the guild's building. Lipton, who had refused higher offers in the past, told Macklowe his offer was unreasonable. "He said he was a very fast worker and would proceed," recalls Lipton, "and he hoped that the sound of demolition didn't bother us." Insulted, Lipton says he walked out of the meeting.

Still, at the end of 1984, it appeared as though Macklowe's purchase would go through without a hitch, satisfying all three parties involved. But the final chapter was yet to be written. Observed one developer: "Goldman and Macklowe on West 44th Street are like sharks in a small pond."

PHOTOGRAPH BY JONATHAN BECKER

## A Most Unpopular Law

IN THE HIGH-STAKES, GUTSY WORLD of Manhattan real estate, the most treacherous game of all is property assemblage: buying adjoining lots with the goal of combining them to build one giant project. That's the game Macklowe was playing on West 44th Street.

Property assemblage is not easy. Besides the acquisition of the land, there is the often elusive objective of clearing a site. There are invariably complications involved in this: tenants who don't want their building demolished, or civic-minded architectural guardians who seek to preserve landmarks. In the case of the West 44th Street buildings, two were designated single room occupancy

(SRO) hotels, and a new city policy loomed large in the already crowded jungle of assemblage complications. In December 1984, Mayor Koch announced that he would propose a bill to the city council that would freeze the demolition and conversion of all SRO hotels for 18 months. The bill would be retroactive to its date of introduction.

The controversy surrounding SRO housing has been growing. An SRO is typically a dive in which inexpensive, furnished rooms without kitchens are rented out by the week. Its tenants are on the bottom rung of the economic ladder, which means that when they get kicked out of their SRO rooms, they usually have no place to go but the streets. The most frequent and ruthless cases of violent illegal evictions have taken place in SROs. The recent spate of conversions of SROs into co-ops and office buildings is



# Goldman bought the properties for \$499,000, and Macklowe offered \$9 million.

seen as a major cause of the legions of homeless now inhabiting the streets.

Enter the City of New York. Two years ago, the city council passed a law that prohibited the demolition or alteration of an SRO until it was certified that no illegal evictions had occurred in the three years prior to a demolition application. But this was not enough; the city was still losing too many of the hotels.

Mayor Koch wanted time to commission an in-depth study on SRO conversions. What's more, in a mayoral election year, the issue of the homeless is as important as the issue of Koch's alleged acquiescence to real estate interests. By proposing an 18-month moratorium on SRO conversions, he was positioning himself as a mayor who protects the homeless and defies his real estate buddies. Since demolition permits are issued by city agencies, it was rumored in real estate circles that such permits would not be forthcoming as of the date of the bill's introduction, which was to be January 9.

Real estate developers are not happy about the SRO conversion moratorium. Especially those developers doing property assemblages under the assumption that the SROs involved could be razed. One such assemblage, of course, was Macklowe's on 44th Street.

## A Most Dangerous Reaction

THE 44TH STREET DEMOLITION occurred on January 7—two nights before Koch was to introduce the moratorium bill to the city council. The person who hired Garofolo to tear down the buildings had to have known he was taking a risk. He also had to have known that there was no way he could demolish legally before the bill was introduced.

To have demolished the 44th Street buildings legally, the owner—in this case, Goldman—would have needed a certification of non-harassment, which takes at least 60 days to investigate. He also would have needed a permit from the health department verifying that a rodent-control program was in effect; and still another permit from the Department of Transportation to allow the street to be blocked off. Before issuing the demolition permit, the buildings department

would have had to approve of the demolition method. On populated streets, small buildings are generally required to be broken down by hand, piece by piece.

Demolition crews have been caught proceeding without one of the necessary permits. But whoever was behind the job on 44th Street had not even bothered to have the gas turned off. Says buildings commissioner Smith, "The city was shaken to its foundations. No one can remember anything like this ever happening before, where permits and clearances were lacking entirely."

By not turning off the gas, the person who ordered the demolition alienated some who might otherwise have been sympathetic. "If you're going to demolish without a permit, do it right," commented a large syndicator. "Not turning off the gas—that's criminal, that's plain Wild West style."

Said one city official, "This makes us look bad. It makes it look like real estate people can just walk all over us. We can't let them get away with this."

Koch was angry, and the timing of the illegal demolition gave him an easy opportunity to demonstrate his ire. The mayor ordered housing officials to revise his bill to send a signal to developers that the sheriff was not asleep in Dodge City.

The next day, the revised version contained tough new penalties for those who might take the law into their own hands. The draft read, in part:

"The commissioner shall not issue a building permit or certificate of occupancy with respect to new construction on the site of a single room occupancy multiple dwelling which was demolished in whole or part without an appropriate demolition permit for a period of four years after such unlawful demolition whether or not such demolition occurred prior to or after the effective date of this section."

Koch's message hit the mystery demolisher—and those who might emulate his action—hard. You might get the buildings down without a permit, says Koch's bill, but you're going to wind up sitting on the empty land for four years.

District Attorney Robert Morgenthau's office is also investigating the 44th Street demolition, and a grand jury indictment might soon be handed down. The party responsible for the demolition is likely to face charges, probably for

something like reckless endangerment.

The city also initiated a \$10 million civil suit, naming Goldman, Macklowe, Garofolo, and "John and Jane Doe" as defendants. In the suit, the city asks for compensatory damages, and punitive damages for "grossly and wantonly reckless and illegal conduct." The suit seeks that the defendants either restore, replace, or pay for the damaged SROs.

Michael Young, the city's attorney spearheading the case, says, "It was really outrageous. Both that they violated our process, and did it in a way that endangered the public. We're pursuing this very aggressively. They're going to have to pay."

Whether this payment will be worth what the demolisher gained remains to be seen. Buildings commissioner Smith believes that the demolition crew had intended to raze all four buildings. "They needed every hour of darkness," he says. "Mitran [Garofolo's company] has plenty 30-cubic-yard dumpsters. They would have lined them up straight down the block and worked all night, carting away debris as they demolished." In the morning, Smith believes, an empty lot would have been on the site where the buildings had stood.

## Dirty Work

EITHER THAT, OR AN EXPLOSION would have put an early end to the workmen's nocturnal activity. Which raises a question: What kind of contractor would agree to tear down a building with no permits, at night, without seeing to it that the gas was turned off?

Mitran Associates, Inc. Eddie Garofolo's company is primarily known as a waste hauler, an area in which it has made a big splash. The Department of Sanitation has recognized Mitran's contributions to the city with 27 enforcement actions in the past 18 months—more than any other carter. "These guys are the most notorious of all," said a city official familiar with Mitran's record.

In his response to the city's suit, Garofolo admits to being the contractor responsible for the demolition, but says the party that hired him represented that they possessed the necessary permits. He argues that because police officers aided in the demolition process by closing the street, the city expressed its "di-





*Harry Macklowe, the buyer of the buildings and a big supporter of the mayor, denies the charges against him.*

rect and indirect authorization" for the action.

Lewis Rosenbaum, Garofolo's attorney, says he is "very upset" that the publicity has been slanted against his client. "My client doesn't have the money or the power to retract these things," he complains. "It's going to be hard to select an impartial jury." Yet Rosenbaum remains optimistic. "I feel ultimately that the guy's going to be vindicated totally," he says.

Who hired Mitran? If Garofolo were willing to say, the case would be simple. But he isn't. Macklowe reportedly has worked with Mitran before (his lawyer won't confirm or deny this); Goldman has not. But when one learns a little bit about how Goldman operates, one thinks that if he were to need some demolition in the future, Garofolo is the type of guy he might call.

PHOTOGRAPH BY JACK MANNING/THE NEW YORK TIMES

## The Squeezer

SOL GOLDMAN WANTS TO BE believed. He claims to be deeply disturbed that his name has been dragged into the murky depths of the 44th Street demolition.

"I may like to fight for a buck, and guys may think I'm tough, but I don't do that kind of business," Goldman told *Manhattan, inc.* in his spacious Fifth Avenue office. Goldman rarely gives interviews; he used this one to loudly proclaim his innocence. At 67, he speaks in excited, throaty tones with somewhat of a Brooklyn accent. "He [Macklowe] called me Monday, January 7. He says, 'We're taking title next week,' and he asked me if I'd mind if he threw the buildings down. I said, 'How can you throw them down? You've got no permit—you can't do it

until you take title.' And then he did it." Goldman pauses, wounded and incredulous, allowing the injustice of the situation to sink in.

As the owner of title, Goldman was the first person named in connection with the demolition. "I had news services calling me all the time," he complains. "But Mitran worked for [Macklowe] on his 57th Street site, and on other buildings. I told Harry, 'I don't want to take these calls. Go to the city and apologize; you made a mistake.'"

Macklowe hasn't "apologized," and Goldman still acts furious. Goldman normally shuns the press. Maybe that's because the facts don't always make him look good. Last fall, *Our Town*, an East Side community paper, published an article detailing a rent strike at a building Goldman owns on 52nd Street. Tenant Barbara Bailey was in the lobby the night

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# Koch's message: Get the buildings down without a permit, sit on empty land for four years.

that issue was delivered. "They went bonkers," she recalls. "Goldman sent over two of his men, who I'd seen before. They jumped out of a car, took the *Our Towns*, and threw them out in the street."

Losing copies of *Our Town* was the least of the worries at 155 East 52nd Street. The problems for the building's 83 tenants—most of whom have rent-controlled or rent-stabilized apartments—began when Citibank sold the building to Goldman last summer. The building had been losing money, and Goldman picked it up for just \$3.7 million—but insisted that it be transferred to him without services. In other words, the porters, super, and 24-hour union doormen were out of their jobs.

In buildings like this one, there are a few ways to make a profit without coping. One is to vacate as many apartments as possible, and re-rent these units for more money. Another is to squeeze the operating expenses of the building until it shows a profit. Both would be hard for an image-conscious landlord like Citibank. For Goldman, such squeezing is the name of the game.

The building employees' union, 32B-32J, picketed 155 East 52nd for months, but to no avail. (Goldman has ongoing disputes with 32B-32J in two dozen buildings.) Tenants charge that he deliberately reduced building services, and hired goons to intimidate them and vandalize the building. Scores of trunks were removed from a storage room and left outside. One night, tenants say, without notice, the trunks were carted away.

Goldman dismisses tenant allegations regarding East 52nd Street. "We've got a bunch of old bastards in there who pay \$175 a month rent. They don't have a psychiatrist so they take it out on their landlord."

In a separate lawsuit initiated by the city on behalf of tenants of an SRO hotel on Eighth Avenue and 46th Street, the city contends that Goldman did more than just intimidate tenants. It charges that Goldman failed to provide heat and hot water in winter, and used illegal lock-outs, threats, and direct force to make tenants vacate their residences. Part of the complaint reads: "On or about January 10, 1985, Marcos Frometa, a legal tenant of the subject premises, was illegally locked out of his room and brutally assaulted by agents of the defendants, causing serious physical injury."

Goldman denies it. "They're coming

after me because of 44th Street. They had 12 inspectors from the city over there the other day to bust the s--- out of me. I've never run a property like this before. You should see the crap that lives there." Goldman also says he's not going to take such allegations lying down. At press time, he was threatening to slap the city with a \$50 million libel suit. "It's an absolute vendetta," he complains.

"Goldman is a tough cookie," says one broker. "His modus operandi is to harass tenants. He squeezes every nickel out of every building. Commercial and residential tenants take him to court and usually win an injunction against him. He complies for a few weeks, then goes back to harassing them."

Sol Goldman, today one of the richest real estate men in New York, has come a long way since the real estate empire he built with his late partner, Alexander DiLorenzo, collapsed a decade ago when the market hit bottom. Their business had been the subject of several FBI investigations into possible organized-crime affiliations, but no foundation for such charges was ever found.

## The Grabber

HARRY MACKLOWE, 20 YEARS younger than Goldman, prefers the status of owning a luxury rental to a few dozen second-rate brownstones scattered around the city. Instead of roaming the streets at night looking at buildings—which is how Goldman says he spends many evenings—Macklowe and his wife, an artist, attend cultural events and art openings.

Yet there is something similar about the two men. Friends call it a highly competitive nature; others regard it as ruthlessness.

Macklowe started out in real estate in 1962 as a salesman for broker Julien Studley. After a year and a half, he left Studley with fellow broker Mel Wolf and started a brokerage and management company, Wolf & Macklowe Company, Inc.

Macklowe was quick to pick up the business. He figured out that the fast money was to be made in ownership, not management, and that the way to get there was with other people's money.

By the late sixties, Macklowe had become a syndicator, and was busy raising money for three minor projects: two

small commercial conversions on 28th Street and 40th Street, and a new, 100,000-square-foot office building at 866 Second Avenue. A shrewd salesman, he promised investors what they wanted to hear, and avoided telling them what he didn't want them to know.

According to a 1971 court injunction sought and won by the attorney general, Macklowe collected more than \$1.5 million from 170 investors without complying with securities registration requirements. The attorney general charged that Macklowe "promoted each of these ventures by means of offering literature which frequently contained statements which were false, misleading, and unwarranted by existing circumstances."

In a promotional leaflet for the Second Avenue building, Macklowe noted: "I anticipate a minimum yield of 15 percent per annum." He never disclosed to investors that Wolf & Macklowe was receiving money as management and rental agents, or that he was to be paid a \$40,000 supervisory fee. Macklowe consented to the injunction, which barred him from making further offerings for three months. The injunction also required him to refund the payments of any investors who wanted their money back.

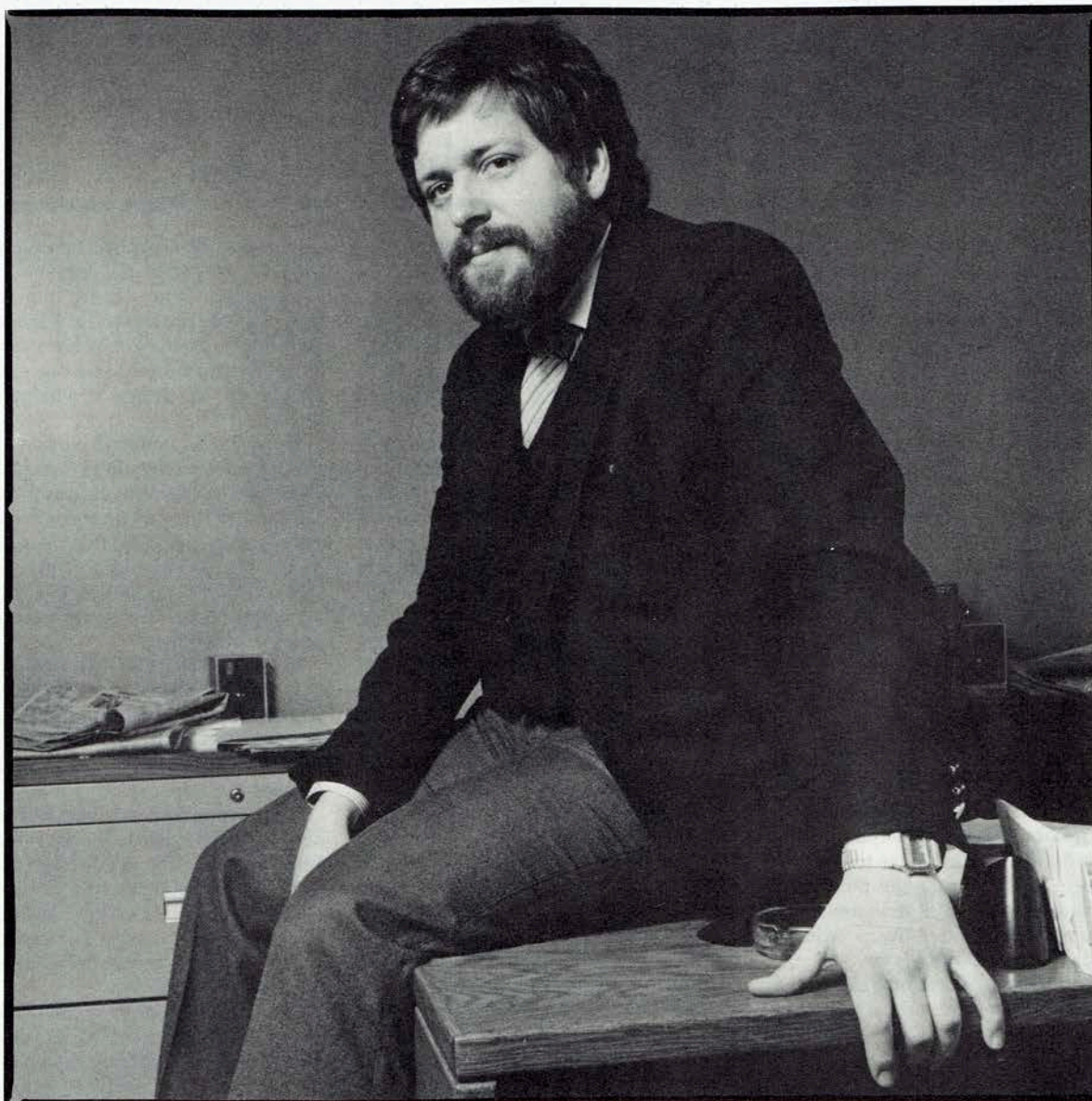
"He wants to do everything by his own rules," says someone who has known Macklowe since his brokerage days. "He shows no concern about anything but his own success. With Macklowe, anything goes. He's ruthless."

Macklowe continued to buy small properties. But he scored his first big hit with Grand Central Tower, a 500,000-square-foot building he constructed in 1981 on 45th Street east of Lexington Avenue. Manufacturers Hanover Trust gobbled up nearly all of it.

Things were rolling for Macklowe. He converted a 320,000-foot warehouse on 34th Street into commercial space, and New York Telephone leased it quickly. His first residential construction, the 324-unit River Tower at 420 East 54th Street, was completed in early 1982. With monthly rents ranging from \$1,475 to \$5,600, he carved a niche for himself in the luxury rental market.

Macklowe apparently decided it was time to flex some political muscle, and he retained a savvy, well-connected young lawyer named Jesse Masyr, the former counsel and deputy borough president to Andrew Stein. He also began giving generous donations to both Koch and Stein.





*Jesse Masyr, Macklowe's lawyer, won't allow his client to speak out, even though "he's busting his gut to talk."*

Masyr helped Macklowe win a zoning change on his second residential project, the huge, ultraluxurious River Terrace on 72nd Street. The land was zoned for manufacturing, but Macklowe and Masyr were able to replace the manufacturing space nearby and build with a 20 percent zoning bonus under the city's "housing quality" ordinance. In return, Macklowe spent more than \$2 million on a well-publicized renovation of the esplanade that runs from 71st to 81st Street along the East River.

It was a cordial deal: better parks and more apartments meant good public relations. "Macklowe has been pretty close to the city since the 72nd Street deal," says a major developer.

But last October, a gas explosion at 30 East End Avenue left the building without heat, water, electricity, and sewage. Macklowe had bought the 103-unit

apartment house in 1980, a choice site in the East 80s filled with rent-stabilized tenants. The damage was so severe that the building had to be vacated.

Macklowe promised tenants that the repairs would be forthcoming, but he dragged his heels and little was done. Macklowe initiated eviction proceedings against certain tenants and offered \$20,000 to any tenant who moved out. The tenants, joined in their litigation by Congressman Bill Green and council member Robert J. Dryfoos, were forced to take Macklowe to court to get services restored.

Nobody suggests Macklowe caused the explosion, but many believe that he attempted to benefit from the hardships it caused tenants. It was not until the housing court threatened heavy fines for each of the 468 violations Macklowe had not fixed that he began working to restore

services. "He was giving them a hard time so they would vacate; he would have liked to knock the building down and build a tower," explains the tenants' attorney, Susan Saslow. "He took a month and didn't do anything; then when there was a fine on his head, it took him three days to comply." It was two months before tenants were able to return to their apartments.

It wasn't long before Macklowe's actions caused legal proceedings to head his way again. In January, he bought a two-page ad in *The New York Times* that referred to a 65-story office and residential building he is building on West 57th Street as a "78-story residence." He raised a few eyebrows when he explained that this was because of the extra height of the ceilings on the lower floors.

To publish such an ad before an offering plan is filed, however, a building's

PHOTOGRAPH BY DEBORAH FEINGOLD



# The industry will suffer by it, and whoever did it won't have a friend in the business."

sponsor must apply for and receive a cooperative policy statement (CPS) from the state attorney general. Macklowe had applied, but the ad had not yet been approved. Yet Macklowe ran it anyway, complete with a statement that it was being made pursuant to CPS #1 issued by the state attorney general.

Macklowe signed a consent decree and he also paid the state \$5,000 in legal costs.

This minor violation attracted little attention; people were far more interested in Macklowe's involvement in the main event—the 44th Street buildings.

## The Trouble With Harry

IN THE DAYS THAT FOLLOWED the illegal demolition, Goldman was unsure whether Macklowe would follow through on his commitment to buy the buildings. Goldman says the possibility of jeopardizing the sale prevented him from suing the man he alleges ordered the demolition of his buildings.

On February 14, Macklowe closed the deal and paid Goldman the balance of \$7.3 million. According to Goldman, Macklowe's lawyers tried to get him to sign a release assuring them that he wouldn't sue their client.

Goldman maintains he can't remember whether or not he signed the release; he has been known to have a selective memory. "I could have gotten more money for the building, but with all this lousy publicity, I was glad to give him title and get the hell out." This from the man who just got \$9 million for buildings he picked up for \$499,000 in 1978. Goldman summarizes the situation in his distinctive speech: "I told Macklowe, 'You schmuck—come clean. Go to the city and tell them what the story is. What are they gonna do, kill you?'"

Though a few sources still think Goldman ordered the demolition, others in the industry and city government are convinced that Macklowe was behind it. None will say so on the record—except Sol Goldman. Goldman says he made it clear to Macklowe that he told the city and the district attorney that Macklowe had ordered the demolition.

In his official response to the city's suit, Macklowe simply denied knowledge of

virtually every charge against him. He refused to be interviewed for this story on the advice of his lawyer, Masyr.

Masyr acknowledges calling the mayor's office on SRO housing only days before the demolition and, according to city officials, he asked specific questions about the SRO moratorium.

If Macklowe was not behind the demolition, he would have had little incentive to purchase the buildings. With a four-year penalty likely to encumber his site, it no longer seemed like a great deal for \$9 million. True, Macklowe had laid down a deposit, but if he did not damage the property himself he would have little problem insisting on getting his money back. Why would the demolition have been to Goldman's advantage? He had an obvious interest in seeing the \$9 million sale go through.

Then there's the failure to turn off the gas. Clearly, the party responsible would have been risking a lot less had he got the gas shut off. Dan Walden of Con Ed explains, "We look for the customer only to tell us that he wants the gas off. That would be the current building owner or his managing agent." Which means that if Macklowe had wanted to demolish without Goldman's approval, he wouldn't have been able to get the gas shut off.

Most ironic about the 44th Street demolition is that the restrictive legislation it sought to avoid now stands a much better chance of passing. What's more, the four-year penalty adds a hard edge the previous draft lacked. Although the old draft might not have affected the 44th Street structures, the bite that Koch added to the moratorium instantly does.

Says a city official, "I'm not sure the city council would have passed this bill before this. If it had, they would have watered it down. The demolisher didn't figure on the law being toughened. Now the whole industry will suffer by it, and whoever did it won't have a friend in the business."

Richard Rosan, president of the Real Estate Board, sees a lot of bad PR coming from the act. "This hurts the image of the industry," he says. "One incident like this smears our noble profession."

Noble profession? New York real estate? Not according to some in the city. Frank Domurad, a senior policy adviser to city council president and mayoral aspirant Carol Bellamy, believes that the lawlessness of the 44th Street demolition

symbolizes the city's SRO problem, and will add weight to the argument for a moratorium. "These kinds of violations have not been prosecuted as vigorously as they might have. Somewhat of an aura has been created that you can get away with a lot of things if you're a big developer."

If you think Domurad's warming up to a dump Koch pitch, you're right: "What's happened was that this act was so blatant, and came at the very time the mayor was releasing his SRO bill, that there was no choice [for Koch] but to deal with it. Under different circumstances, who's to say whether the city would have prosecuted so vigorously."

Ready for the knife, Mr. Mayor? "If it is Harry Macklowe, this incident has proven an embarrassment to the administration, because Mr. Macklowe has been a big contributor to the mayor," concluded Domurad.

The mayor does not like it when his friends make him look bad. He also doesn't like to give away money; shortly after the demolition, he returned a \$10,000 donation Macklowe had made to his campaign. The days of wine and roses in City Hall may be coming to an end for Harry Macklowe.

"He was the new boy on the block, and he was making waves," says an associate of Macklowe. "Certainly this could very seriously affect his ability to do anything in the future. I think it affects his relationship with banks."

But Macklowe seems to be holding his own. "He's told his best banks that when the story comes out, he'll be proven innocent," says one source.

Indeed, Macklowe just announced yet another new project: a residential housing project on 11th Avenue and 42nd Street. Masyr scoffs at the rumors of trouble with bankers. "This has not affected our relationship with lenders," he maintains. "Harry's going through with 42nd Street, and he's not doing it with money lent by me."

Masyr also rejects the notion that Macklowe has become unpopular in the real estate community. In fact, he rejects the notion that there is a real estate community. "I have practiced in this town for years and never sensed any real estate community. This is a business that's too fiercely competitive for that. This is a business directed by strong-willed individuals who proceed on their own."

The question of whether whoever de-





*City attorney Michael Young and colleagues: "We're pursuing this very aggressively. They're going to have to pay."*

molished the buildings on West 44th Street will benefit from his strong-willed action remains to be seen. By attorney Young's own reckoning, it will probably be at least a year and a half before the city's suit goes to trial. The DA's criminal charges may prove far more destructive to the demolisher's reputation—if they are proven. But few sources believe that the culprit will be put behind bars.

"They'll fine him and slap him on the wrist," predicts one realtor. "In the overall scope of things, something will be built, and people will forget about how it all happened."

Another developer sees it differently: "Macklowe's heavily into that block. He has an investment, he has plans, and he has a vision. But this can stop him."

That's what buildings commissioner Smith hopes: "This unlawful act has resulted in the needless waste of valuable

land resources. Because of the bad judgment of self-interested individuals, this land will lie fallow for some time."

Not if Harry Macklowe can help it. According to Masyr, the city has yet to stop the wheels of progress. "Macklowe still has plans for the property," he says. "The moratorium is a law that isn't a law yet—not until the city council passes it. The bill has been introduced. What is covered or not would just be guessing at this point."

Whether this and Macklowe's other ambitious projects will eventually blossom into epic success stories would also be guessing. Perhaps if he didn't grab so much so fast, his prospects would look better. Says an associate, "As brilliant as Macklowe can be, some people are just self-destructive."


And some people are just born real estate developers.

## Epilogue

NO MYSTERY WOULD BE COMPLETE without elves. Attached to one of the demolished buildings were two statues of elves, one smiling, the other grimacing.

The elves were a favorite of developer Seymour Durst, whose office was nearby. After the demolition, he searched through the debris, but found no trace of them.

Could the elves have joined the art collection of some real estate lord? If so, he'd best not leave them for neighbors to see. Because whoever has those elves could be the person who ordered the mysterious 44th Street demolition.

If stone elves could talk, someone would be in big trouble. 

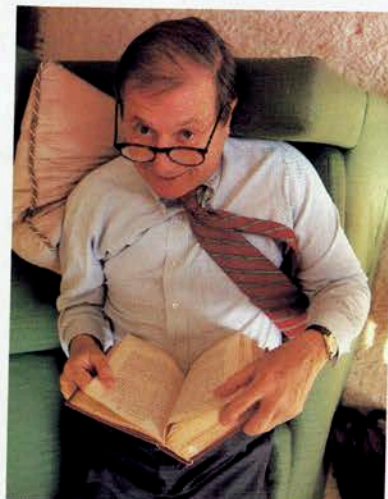
*Contributing editor Jonathan Greenberg writes frequently about real estate.*

PHOTOGRAPH BY JONATHAN BECKER



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LARRY WILLIAMS

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