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## 34 Love Stories for the 80s

BY MICHAEL DALY

Amid the scramble for wealth and power in this city, the flash of an eye can still set the pulse racing. On the East Side and the West, below 14th and above, in Brooklyn, the Bronx, and on Long Island, people are falling in love. Daniel Noel and Kristi Kamps have a baby in their two-room apartment; Angel Adams, 12, worships Blanca Santiago, 23; Parisian Christine Carrie marries graffiti artist Futura 2000; hit man Vito Arena falls for Joey Lee; Michael Daly tells the tales of modern romance. And, in further celebration of love in all its guises, Wendy Goodman has selected tender fashions for mothers and daughters ("Young Love," page 52), and Corky Pollan has found gifts for your valentine, funny and otherwise ("Heart Throbs," page 54).

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BY JONATHAN GREENBERG

In 1981, the Gotham Hotel closed for renovation. The hotel's developer, Swiss entrepreneur René Hatt, promised that it would reopen as a first-class haven for rich businessmen. The new Gotham would have a marble bathtub in most bedrooms, mirrored walls, and gold-plated bathroom fittings. In two years, Hatt's company ran through \$100 million. When his backers pulled out, in 1983, the hotel still required another \$40 million to open, and today it is empty and boarded up. "In many ways," says one former associate of Hatt's, "he is ahead of his time. And in many ways, he's an absolute disaster."

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BY LYNN SCHNURNBERGER



If your idea of a child's birthday party is twelve screaming first-graders with party hats, cake, and endless games of Pin the Tail on the Donkey, take heart. Here are special programs and activities throughout the city that are open to groups of youngsters. From a Yankee game courtesy of Con Ed to a behind-the-scenes tour of Lincoln Center to a visit to Nabisco's animal-cracker factory, children will enjoy these outings—and you might, too.

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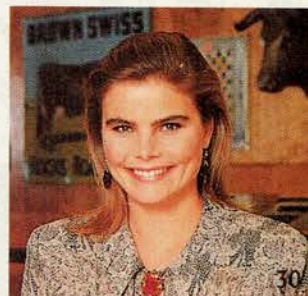
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# THE GHOST HOTEL

## A FIFTH AVENUE FIASCO • BY JONATHAN GREENBERG

**J**UST DOWN FIFTH AVENUE FROM Trump Tower, the 80-year-old Gotham Hotel sits boarded up and marred with graffiti, a Beaux-Arts ghost building on one of the world's prime stretches of real estate. Five years ago, the Gotham was drawing guests with its moderate prices and old-world charm. Then it closed for an unusual renovation, one that began in high hopes, but ended in the biggest financial disaster in the history of New York's hotel industry.

The new Gotham was the dream of a brilliant, if eccentric, Swiss entrepreneur named René Hatt, who wanted to incorporate his ideas about modern man into the design of a luxury hotel. Some of the ideas are rather strange.

Before renovations were abandoned, purple marble bathtubs were installed in the hotel—not in the bathrooms but in the rooms themselves, near the beds. The walls and ceilings were adorned with mirrors. The bathroom fittings were plated with gold. A three-story health club, with restaurants and bars, was built on the roof. The new Gotham was to be full of high-tech advances. The electrical system was designed to give every room two scrambler phones, both of which could be reset each day to prevent eavesdropping. The televisions were to double as closed-circuit monitors on which guests could see and talk to hotel staffers, view dishes from the hotel's res-

taurants, or watch any movie at any hour.

Above all, the new Gotham was to be psychologically inspired. Colors, textures, and shapes were chosen to soothe and motivate the guests. A Swiss psychology professor known for his work with color was brought in as a consultant. The walls were covered with burgundy and black; the carpets were violet. A million-dollar contract for marble was canceled because there were too many white veins running through the stone.

Hatt and his backers put more than \$100 million into the project before work was halted in early 1984. It will probably take at least another \$40 million to open the hotel. The developer, the banks, and the contractors are mired in lawsuits. Hatt's international hotel empire has been sucked into bankruptcy.

Today, Hatt, 58, remains undaunted, but there's no mistaking what happened: His dream hotel turned into a nightmare.

**U**NTIL THE GOTHAM HOTEL fiasco, failure was something unknown to René Hatt. The son of a Zurich baker, he earned a doctorate in economics, but he also studied psychology and philosophy, two subjects that became his continuing passion. To this day, Hatt peppers his conversations with philosophical quotes (sometimes in fractured English). For example: "As a man, you are nothing

unless you make something out of you."

Hatt worked to make something out of himself in the field of real estate. He developed apartment projects and office complexes, then went on to manage the first major shopping center in Switzerland. In 1970, Hatt broke ground in Zurich on his first hotel, the Nova-Park, and he used the project to develop what he called the "Nova-Park philosophy." Hatt believes that a lack of personal contact poses a threat to modern society; a great hotel, he reasons, should re-create the neighborly town square of old. "In the eyes of a person 150 years from now," he says, "we will be seen as being as underdeveloped emotionally as the Congo is in the computer field today."

To provide emotional stimulation, the Nova-Park had a "Playcorner," a "News-corner," a backgammon club, and a video room. For guests who couldn't find anyone else to talk to, there was a "Psychology Center," where therapists were paid to have drinks and listen. Each of four popular "Dreamland" rooms had a Jacuzzi-equipped bathtub near the bed, red carpeting and wallpaper (Hatt believes red is the color of contact), and mirrors galore.

Opened in 1972, the 400-room, mid-priced hotel became the only place in sleepy Zurich people could go at night. The Nova-Park's health club, bars, restaurants, and discos were busy day and night, and the income from the sup-





*Developer René Hatt in  
front of the Gotham  
Hotel.*

PHOTOGRAPH BY GERD LUDWIG



## GOING ALONG: The award-winning architect in charge of the Gotham project says the developer's taste was "abominable." Still, the architect admits, he was completely seduced by the man and his ideas.

plementary businesses guaranteed the Nova-Park a healthy balance sheet.

Hatt saw the hotel's success as a confirmation of his theories. "Why can't creativity and business go together?" he asks. "I think it's not worthwhile to be called an entrepreneur if you just imitate what has been done."

Although Hatt's company, Nova-Park AG, was initially financed by a few Swiss investors, its growth was fueled by Arab money, including an investment from a member of the Saudi royal family. Eventually, Arabs owned 42 percent of the equity. Hatt kept control, with 51 percent of the voting stock and 17 percent of the equity.

By the late seventies, Hatt was pushing hard to make Nova-Park an international force in the hotel industry. The company managed hotels in Cairo and Jiddah, Saudi Arabia, and in 1978 Hatt bought the old *Paris Match* building near the Champs-Élysées. He spent nearly three years and about \$30 million to renovate the hotel's 61 suites and 12 rooms. When the Nova-Park-Élysées opened, in 1982, it was the most expensive hotel in France, with an average daily room rate of about \$400. The hotel featured a 4,600-square-foot "Royal Suite," which came with a Rolls-Royce and cost \$5,000 a night. A Saudi prince arrived for a weekend and stayed six months—but still, the hotel failed to turn a profit. Hatt's costs had been too high—and the French didn't warm to his style. One local journalist dubbed the hotel's décor "Pédro Baroque."

The same year he bought the *Paris Match* building, Hatt came to New York. For a while, developer William Zeckendorf Jr. helped him shop around for a hotel to lease. One large-hotel owner remembers Hatt's proposal and his assurances that the Saudis would back him. "I said, 'It sounds expensive,'" recalls the hotel owner, "but I guess you don't care, because the Arabs are going to pay for it." He said, "We have something more valuable than money—we drill in the fields of happiness."

Hatt also told the hotel owner that he planned to achieve high occupancy rates on the weekends by getting business guests to stay for the hotel's "special activities." The hotel owner asked what Hatt had in mind. "Sex is like the wind in the sail," Hatt is said to have answered. "You can't see it, but it moves the boat."

"I told [Hatt] to keep moving, and he moved all the way to the Gotham," says the hotel owner.

At the time, the Gotham, which is on Fifth Avenue at 55th Street, was owned by Sol Goldman, 68, who owns more buildings than anyone else in New York. Goldman had bought the hotel in 1964 for less than \$10 million, and, though he did little to restore its luster, the hotel continued to make money. Hatt's ideas for the place may have seemed strange, but his price was right. The hotel was earning \$2.2 million a year in gross operating profit (net profit before debt service). Hatt offered \$3.5 million a year for a 99-year lease. The deal was sealed on August 31, 1979. Soon, the city's real-estate market was surging ahead, and Hatt could probably have sold the lease for a profit. But he had more than money in mind: He wanted the Gotham to be the crown jewel of a hotel empire.

The renovation was to be first-class all the way. Hatt rented a suite at the Waldorf, flew on the Concorde back and forth to Europe, and was driven around town in limousines. He conceived his hotel as a home for rich businessmen who wanted to live as he did. "I said, 'Gentlemen, this is going to be the best hotel in New York,'" Hatt recalls telling his contractors. "Either you make a luxury hotel or you make a Holiday Inn."

**T**O PAY FOR HIS DREAM, HATT turned to the same lender he had used in Paris, a lease-financing corporation owned by five big European banks and called Deutsche Anlagen Leasing, or DAL. The Hatt-DAL combination was not exactly a bottom-line operation. In a recent article, the German magazine *Der Spiegel* called DAL "the greatest money-destruction machine in the history of the postwar Federal Republic."

Hatt's initial budget for the renovation was estimated at about \$56 million (exclusive of interior furnishings, which Hatt intended to finance separately). Hatt planned to raise \$18 million of this from his rich Arab shareholders, and DAL agreed to lend the rest, about \$38-million. What's more, DAL offered the money on remarkably favorable terms: in Swiss francs at the current Swiss prime lending rate, plus 1.5 percent. This meant Hatt would pay only 6 to 7 percent on his loan, as opposed to the 18 or 19 percent American banks were then charging. Why would DAL lend on such friendly terms? For one thing, loans like the one to Hatt made DAL a very popular financier and allowed it to expand rapidly.

Also, the loans brought in large commissions, which looked good on short-term balance sheets.

Soon after leasing the hotel, Hatt hired Manhattan architect Stephen Jacobs, whose experience with quality rehabilitations was supposed to compensate for Hatt's lack of local experience. Jacobs, 46, is an award-winning architect whose projects include the restoration of the Halloran House hotel, on Lexington near 48th Street, and the Cast Iron Building, on lower Broadway. Hatt and Jacobs met often in 1980 to work on the design for the new hotel and talk about Hatt's philosophy. "I became a disciple of René Hatt," Jacobs says today.

When the Gotham closed in January 1981, Hatt said he expected to reopen early the next year. At first, things went on schedule. A new infrastructure was put in, and the Gotham's 330 rooms were broken open to create 255 larger rooms and suites. The ground-floor lease of the Charles Jourdan boutique was bought out to allow Hatt to create a Fifth Avenue sidewalk café.

René Hatt worked his people hard but also played hard. "The workday would begin with breakfast at 10:30 or eleven in his suite at the Waldorf," Jacobs remembers. "He was just getting up. His inner circle would join him—the lawyer, hotel manager, etc. Other workers and contractors would come in and out. The workday lasted until nine at night, and you were expected to stay. Then a few of his large shareholders would arrive. You were expected to go out in the late evening with them until two or three. He thought it was fun to go to touristy nightclubs and discos, like the Copacabana and Studio 54. There'd be twelve to twenty people in the entourage, and we'd take limousines. He would drink only champagne—that was his trademark." Hatt footed the bill for everything.

**T**OWARD THE END OF 1981, the five banks that owned DAL began scrutinizing the company's loans. They didn't like what they saw of the Gotham deal and grabbed hold of the reins, hiking Hatt's financing charges to American-level rates. Hatt says he was forced to accept the adjustment—to more than twice what he'd been paying—under the threat of discontinued financing. "Swiss bank financing was the key to the decision to make a total renovation, and not an economy-class renovation," claims Hatt.



But higher finance costs were only part of the problem. More troublesome was the time it took to complete construction—a difficulty largely caused, according to a number of sources, by Hatt's drive for perfection and his inability to make up his fast-moving mind.

In 1982, with the Paris hotel finished, Hatt took an apartment at Olympic Tower and began spending more time in New York. He added about a dozen European designers to the New York team and bought a townhouse headquarters at 10 West 56th Street. The designers often preferred material available only in Europe. At an estimated cost of about \$200,000 a month, the designers and Hatt reworked the original design, again and again and again.

"Any hotel developer would have done this project with three or four designers," says Jacobs, whose office had five people working on the Gotham. "They were constantly generating changes to try to outdo us."

Sheldon Electric, one of the major contractors for the Gotham, originally estimated its job at less than \$2 million, though the final bill came to over \$7 million. "A majority of the overruns were due to changes," says company president Barry Beil. "Hatt's staff was coming up with changes as fast as we could get them to our men in the field. Instead of just the date, we marked the exact hour on the plans, because some days we would get a revision at ten in the morning and another at two the same afternoon on the same item."

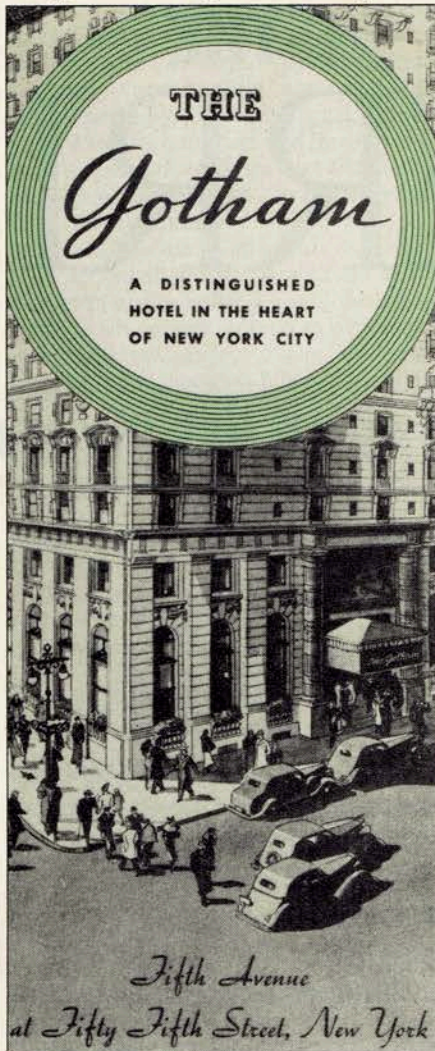
"The man was unquestionably brilliant," says Jacobs. "He wanted to bring Fifth Avenue to life and build the most expensive hotel in the world. But he had to approve of every little thing himself, from the ashtrays down."

Jacobs cites the bathtubs as an example. Hatt wanted them placed in the bedrooms because he thought people would come to enjoy a more "open" way of living. He also wanted the tubs made of dark marble. Jacobs selected a Bordeaux marble, flew to Paris for Hatt's approval, and then took out a contract for \$1 million worth of the material. But when Hatt saw one of the tubs in a model room, he ordered the tub ripped out: The marble had too many white veins, he claimed. "I said I cannot do it," says Hatt. "I cannot have white in a bedroom—people cannot sleep there." A special all-purple Lava-stone was then imported from Germany—at double the cost. (Today, Hatt maintains that he objected because lower-quality marble had been substituted, a claim Jacobs denies.)

Did Hatt's unorthodox hotel design have a chance of succeeding? Several of the people who saw his plans think the public's response would have been disastrous. "His taste level was abominable,"

says Jacobs. "He wanted to make the whole hotel like those four Dreamland rooms in Zurich. He had a Pocono-honeymoon vision of the way a businessman wants to spend his time in a major city." Jacobs explains that he was so "seduced" by Hatt that he "suspended" his own taste to work on the project.

Yet Hatt argues that people would have come to appreciate his ideas. Even today, he warms up when talking about



HEYDAY: From a thirties brochure.

his color concepts. "We want an emotional happening, so we don't use the emotion-neutral colors," he explains. "We give them a certain shock with some colors they don't expect at all. In the suites, you go to burgundy with black in it. Black involves power: 'I love you, my son, but I dominate you, my son!' Black is the color of dead, and dead is the ultimate power over life. If the lady wants authority, she makes herself in black, as the vamp. All this would have been an essential part of our color concept."

Got that? Still, people who came to know Hatt were impressed by his intellect. "In many ways, he is ahead of his time," says one former associate. "And

in many ways, he's an absolute disaster."

In Hatt's view, he is a rational entrepreneur who was victimized by the banks and by the contractors, who—as he puts it—gave him a Chevrolet after he'd ordered a Cadillac. "Then they say I'm changing my orders," Hatt says.

Toward the end, Hatt hired real-estate analyst Anthony Mansueto to gauge the financial possibilities of the hotel and settle accounts with contractors. Mansueto claims the contractors treated the Gotham as if it were a "candy store." He points out that when he negotiated their bills, the contractors settled for an average of 50 cents on the dollar. The contractors respond that they saw the project collapsing and wanted to get whatever money they could.

By late 1983, DAL, which had upped its loan to \$55 million, said No more. Meanwhile, Hatt had increased his share of the investment, he claims, to \$50 million (DAL disputes this figure). To do this, he took out new loans, went back to his stockholders, and leveraged his existing properties to the hilt.

Hatt told DAL that he needed just \$25-million more. With the work 80 percent completed, Hatt argued, DAL would be foolish to jeopardize its entire investment. But DAL thought otherwise. "Although a serious financial mistake may have been made," says Günther Glatzel, a DAL director, "it occurred when the original loan was made to Hatt, and not when DAL and the banks refused to keep pouring good money after bad."

**T**ODAY, THE GOTHAM'S FUTURE is tied up in lawsuits and negotiations. Hatt has filed a \$941-million suit in New York State Supreme Court, charging that DAL acted in bad faith and took control of the Gotham illegally. Since work stopped, DAL—now reeling from more than \$700 million in bad loans—has had to pay an additional \$20 million in lease payments, taxes, and expenses. Recently, Sol Goldman has made a move to buy back the Gotham lease, together with Zeckendorf and Arthur Cohen. The group is offering less than \$35 million and expects to have to spend another \$40 million before the Gotham is finally ready to reopen its doors.

René Hatt's Nova-Park empire (including the Zurich and Paris hotels) is bankrupt, and Hatt himself is based in Zurich, trying to recoup some of his losses. Yet the man at the center of the Gotham disaster remains surprisingly cheerful. "I lost practically everything," he says, "but I'm worth more, because I have my head." Someday, he believes, he will build again in New York. "I'll start all over again. I'm only fixed to one thing—my idea of being creative." ■