

HOLDOUT!

AS ONE WALKS along the streets of New York, one can easily be unmindful of a continual drama going on ... the arduous and competitive struggle to assemble plots of land in order to erect a large building, whether commercial or residential.

A developer usually proceeds with great secrecy because of the potential threat of "holdouts".

The process is impressively investigated in a book* by Andrew Alpern and Seymour Durst, and the situation is outlined by former New York mayor John V. Lindsay in a foreword to the book:

"On one side of the conflicts described in these pages is a developer who's gained possession of a plot of land almost large enough to be the site of an office tower or apartment house he wants to build; on the other side is the owner of the remaining parcel of property the developer needs to complete his planned project's site assemblage. The property owner who, for whatever reason, does not sell that remaining parcel is known in the real estate business as a 'holdout'."

The authors are knowledgeable on the subject. Mr. Alpern is an architect and Mr. Durst a real estate developer.

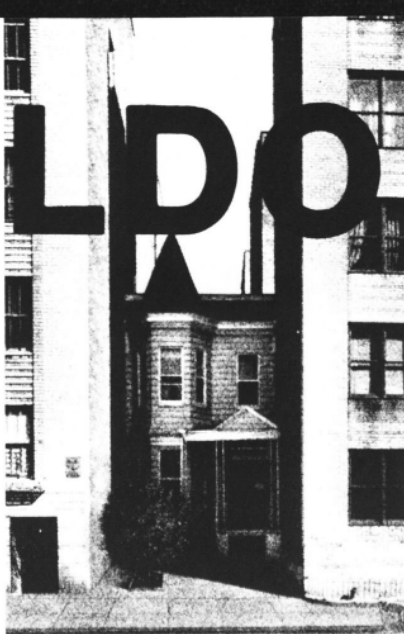
They had originally intended to research the problem throughout the U.S., but found so many examples in New York that it deserved a book by itself - and there is indeed a bookful of cases here.

Varieties of holdouts are cited by the authors.

- The "frightened holdout" has lived in one place for many years and panics at the idea of being uprooted; but he can be managed "with tact, imagination and persistence."

- The "foolish holdout" refuses to sell just for spite and hurts himself as well as the builder and the city.

- More typical, the "greedy holdout" thinks no price is too high



● A holdout - wedged in.

for his small property and frequently kills the project.

- The "professional holdout" purchases property where development may take place, especially corner properties, and then sits back to wait for a developer. He will sell usually at double the going rate, which of course increases the cost of the development.

This is why developers have to



By Bob Clancy
in New York

proceed with great caution in putting together a block of small properties. But word leaks out and typically the last holdout demands a fantastic price. If his price is too unrealistic, as it often is, either the project is abandoned or revised to build around the holdout property.

Plenty of examples can be seen around the city and this volume is profusely illustrated with them. A famous example is Macy's Department Store at one corner of which is a

one-storey fast-food shop - a holdout from the time Macy's was first built.

BESIDES resulting in many cases of blight and inefficiency, the holdout problem is a serious obstacle to the provision of living space, working space and jobs in the city.

One sorry illustration of its effects is in the Times Square area. The old Astor Hotel was a handsome, solid building that merited preservation. But a developer seeking to build a large office building in the area found it easier to buy the hotel property which was on a large piece of land, then tear it down and build anew, rather than go through the awesome ordeal of approaching small properties round about - ugly little monuments to greed which are still standing on underutilized land, while a beautiful large building is gone.

But we had better go easy on "greed" knowing that it is only human to seek the best possible deal.

What is wrong is a system that permits this kind of obstruction to progress. As long as we allow landowners to privately appropriate the rent of land, we cannot blame them for trying to reap all they can.

One proposed remedy is condemnation - a cumbersome and uncertain proceeding. The city of Yonkers, just north of New York, has adopted this and the only big case it was applied to is still being dragged through the courts after much litigation.

The only sensible remedy is to increase the tax on land values and reduce - better, abolish - the tax on buildings. In this way, holdouts will no longer be profitable - the profit will be in building.

And in that activity, let there be profit!

*Holdouts! McGraw-Hill Book Co., 1984.

● INCENTIVE

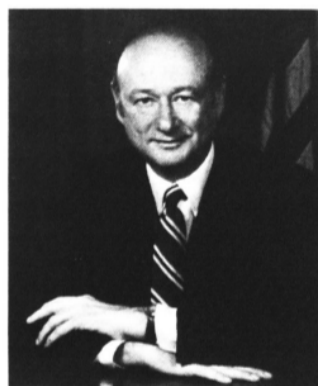
From P.51

Because of the report, and the public criticism which followed, the Administration changed its position. It admitted that there was little evidence to corroborate the city's growth with its tax incentives and no evidence to indicate how many jobs were created as a result of this multi-million dollar program.

Espousing a revised philosophy in late 1983, after abolishing the Incentive Board, Mayor Koch commented: "Now everybody who is going to build is going to get the same exempt treatment. There should be equal treatment."

Almost a complete turnabout for the city.

TO ENCOURAGE the building industry after World War I, a law was passed exempting all new construction from the payment of



● Mayor Koch

property taxes for a period of ten years.

New York witnessed one of its greatest building splurges in history, with every borough sharing the rewards. Not selective, it did not create an unmanageable bureaucracy, doomed to failure. The market place became the vehicle to determine what was needed and avoided the pitfalls of many incentives - to react and not act.

How less cumbersome an incentive program would be if we accepted the wisdom gained from the 1920s and added this missing piece of the puzzle - picking up the revenue lost from exempting all buildings from taxation by placing it on the one factor that cannot inhibit growth: a tax on land values.