

NEW YORK REAL ESTATE WOES

Noting that the title of his seminar had been chosen for him, realtor Louis Smadbeck struck a tone of cautious optimism in his talk at the New York School on March 22nd. "None of the things that you ought to be doing are related to panic or speed," he said. Mr. Smadbeck, co-chairman of William A. White/Fishman East Co., also hosts a weekly real estate commentary on WNCN radio. He presented an illustrative nuts-and-bolts survey of the ways in which New York's real estate market has responded to general economic conditions.

"The key to real estate prosperity is the banks," he declared, and during the eighties there was a widespread bandwagon effect. "Everybody got caught up in the whirl of lending and building, lending and building...and then the recession trigger was pulled." The city was left with a large inventory of unrented office space. This was exacerbated by a spate of mergers, consolidations, and out-of-state moves in the financial industry. Thus, the climate for new construction is bearish indeed (see box).

Mr. Smadbeck noted, however, that New York is still "the cultural and financial center of the world" and that many companies admitted having made a mistake by moving away. Despite all its problems, Smadbeck sees immense vitality in the city, and said it will come out of its current problems because "the people who live and work here aren't going to see us go down the drain."

Let's assume that a developer wants to build a building of half a million square feet. The cost to buy the land, hire the architect, build the building, pay the brokers for getting the tenants, putting the tenants in, is \$150 million, or \$300 a square foot. Today the banks would make him put up \$25 million of his own money....That's \$50 a square foot....Now the bank will give this developer a long-term loan for the remaining \$125 million at, say, 12%...or \$30 a square foot from each of the tenants that go into the building. That's just for debt service. Taxes are going to run you about \$10 a foot and operating costs about \$8 a foot....Now, we're up to \$48 a foot before we have any return on your \$25 million dollars. I think you'd certainly want more than 10% on your \$25 million. You've put a lot of money up at risk and I think you ought to get 20% -- that's another \$10 a square foot, so now we're up to \$58....That's not going to rent your building up, and this is what has me worried. Look at all the vacant buildings around town that have to be absorbed before any new construction will take place. So what will happen? The banks will take over the property and do one of two things with it. They'll either resell to an outside investor at a big discount, or they'll bite the bullet themselves...and hold on to the property for investment hoping that in the distant future [it] will come back to be a wonderful investment on their books.

--Louis Smadbeck

YURI BOCHAROV

(Continued from first page)

been converted to other uses, were restored -- reflecting an official change of emphasis. "It is possible to restore churches," Yuri Bocharov said, "But it is impossible to restore souls."

The architecture of the 30s and 40s reflected an ideology of world leadership: grand, imposing, classically styled buildings. There tends to be a rigid homogeneity in certain districts if their buildings came from the same period, because "architects would be paid less for original designs. Following planned design is re-

Rubenstein & Lazaar Named to HGS Board

Two new members have been added to the Board of Trustees of the Henry George School: Stan Rubenstein and Herman Lazaar. Mr. Lazaar is a former physicist, and a self-employed optometrist who lives in Metuchen, NJ. He has been an active Georgist for decades, serving as the president of the New Jersey HGS.

Mr. Rubenstein was director of the New York school from 1983-89. He has also served as Director of the Long Island extension since its founding in 1967. He retired from his career as a high school teacher in 1983, having served at Oceanside H.S. for twenty years. He currently directs the School's High School Program.

SCROFANIFEST

(Continued from first page)

School, while he began his career in the Bronx, New York. Himself a graduate of Cardinal Hayes High School in 1949 and Fordham University in 1953, Bob was inspired to take up teaching when he heard a talk by Fr. James Keller, author of *You Can Change the World*. During his three-decade career in changing the world, Bob has been awarded several Fulbright fellowships which have taken him to Yugoslavia in 1970, Italy in '79, and Korea in '85. As a member of Educators for Social Responsibility, Bob also met with teachers in the Soviet Union in 1987.

In 1985 Bob was named an Outstanding Social Studies Teacher, and was given a special award for service by the East Bay Council of Teachers. During the past year, Bob has spoken at both the National and California Conference of Social Studies Teachers. Also in 1985 both Berkeley and San Francisco proclaimed E. Robert Scrofani Days. "He has committed his life to bringing forth the best in young people by demonstrating moral and intellectual leadership," said the Mayor of Berkeley.

To the many plaques and letters of commendation from many public figures marking Bob's 25th anniversary, in 1985, are now added those marking his 30th, including one from Willie Brown, Speaker of the Assembly in California's state government.

Bob's latest achievements include writing a chapter in *Now the Synthesis*, a new Georgist book just off the press in England, and being named Economic Fellow at Stanford University. He will be presenting a paper on California water and irrigation districts at this year's first Henry George Conference sponsored by Lafayette College on June 13-14. Bob's paper is based on historical research which won him the California Historical Society's award for "innovative teaching and writing about California history." Bob's focus is the Wright Act which broke the hold of landed interests on vast tracts of California land. His work in this area has been praised for its "insightful joining of a historical and contemporary problems" and for its application of constitutional principles to describe a peaceful transfer of power under law. In addition to all this, Bob also pursues his world-changing vocation as Executive Director of the Northern California Henry George School. A frequent participant in American and International Georgist Conferences, he is well known for his banquet wit as well as his seminar wisdom.



warded." Later, the influence on Soviet leaders of Armand Hammer and others was reflected in a new wave of futuristic designs.

Prof. Bocharov showed a number of slides on the area of the Ukraine surrounding the Chernobyl power plant, the scene, he said, of "the greatest disaster in the history of man." It affected twelve million people, and resettlement is still needed for some 800,000 refugees and 400,000 soldiers. Central building planners, and other decision-makers in a command economy, must respond to accidents and disasters, as well as industrial growth projections.