

Market-Rate Giveaway

Produce merchants get the boot for a City Hall favorite and yet another Olympic stadium

by Tom Robbins

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Along the Harlem River near Yankee Stadium, the wholesale merchants of the Bronx Terminal Market still throw open their vast warehouse-like shops every morning before dawn, welcoming a stream of customers who come from as far as Detroit and Toronto to shop there. Although it's seen better days since its founding in 1935, the market remains the largest provider of ethnic and tropical produce on the East Coast. It supplies most of the city's bodegas and caters to the tastes of growing numbers of immigrants from Africa, the Caribbean, and Central America who can't find the jasmine-scented Thai rice, cactus leaves, or Ghanaian yams they are seeking anywhere else.



Terminal condition: The Bronx market, busy for now

photo: Jay Muhlin

About 23 merchants there employ several hundred workers, most of them minorities. The exact number is a matter of dispute, as is the amount of business conducted in the market. The merchants' association claims as much as \$500 million a year, although city officials question that figure as well. The one thing no one disputes is that the vendors at the market have survived in spite of—not because of—their old landlord.

Back in 1972, a wily operator named David Buntzman managed to win a sweetheart 99-year lease to run the market, which sits on city-owned property. The lease was awarded by the Lindsay administration shortly after Buntzman delivered a timely five-figure campaign contribution to Lindsay's brief presidential bid. Buntzman promptly let the market slide into disrepair and decay, milking the merchants for whatever he could get.

The market became mired in endless litigation with city attorneys pushing to force repairs, while a parade of Buntzman's lobbyists and lawyers, who had even closer ties to City Hall, fought them to a standstill.

The results were numbingly predictable: A once thriving market that had 100 merchants when Buntzman took over festered and shrunk.

Last year Michael Bloomberg announced a solution to what he called a

"blight" and an "eyesore." His plan calls for wiping out the produce market and replacing it with 1 million square feet of retail shopping, most likely department stores like Target or Marshalls. The new \$300 million mall would create 4,500 jobs, the mayor said. It would be built by the Related Companies, the developer of the new Time Warner Center on Columbus Circle and headed by Stephen Ross, a close friend and former business partner of Deputy Mayor Daniel Doctoroff.

As for the produce merchants, Bloomberg aides said they would work with them to develop a relocation plan.

To date, however, there has been little planning. Tenants were notified on March 4 that they have until the end of the month to accept a buyout package and relocation to separate sites around the borough—or face immediate eviction.

Planning for the new mall, on the other hand, has been intense. Records of the city's deal obtained by attorneys hired by the merchants show that the new Gateway Center at Bronx Terminal Market, as it's been dubbed, is due to receive both deep subsidies and guarantees against risk. More than \$80 million in Liberty Bonds have been targeted for the project, and the city has agreed to reimburse Related for most of the \$42 million it paid Buntzman to take over his lease should the project fall through.

There are other key aspects of the project that were never mentioned at the mayor's announcement. On the west side of the market, near the river, the city decided to create a new site for the 2012 Olympics, a velodrome—a large indoor arena for bicycle races.

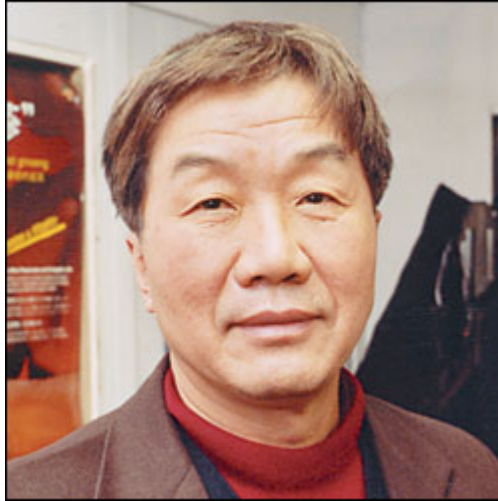
And just east of the market, the city quietly agreed to convey the nearby Bronx House of Detention to the developer to be demolished and made part of the new mall.

Attorneys for the merchants say that instead of closing the book on the market's sad history, the city has only added another chapter.

"The tenants and employees at the Bronx Terminal Market are the very essence of New York," said Adrian Zuckerman, a partner at Lowenstein Sandler, a Manhattan firm. "They are the people who should be assisted and encouraged, not summarily thrown out of their businesses to facilitate a sweetheart development deal and an Olympic facility."

Shortly after hearing about the mammoth mall due to replace them, the merchants stressed to both city officials and Bronx Borough President Adolfo Carrión Jr., whose office is charged with assisting the relocation, that they needed to stay together in order to survive.

"The most important issue for us is the location," said Kang-Chae Jung, a vendor who started with 3,000 square feet at the market in 1977 and who has since expanded to 53,000 square feet. "We live off each other here," said Jung. "We share each other's customers so we need to stay together."



Jung: Location, location, location
photo: Jay Muhlin

"Everyone serves a niche here," said Manny Sanchez, manager of the bustling New York Produce. "If you break us apart, we're no longer a market."

The best the city has come up with so far, however, has been a list of 28 properties scattered around the borough, none big enough to handle more than a couple of merchants. Another vendor, Jae Yun, said he visited several spaces offered through the city's real estate consultant and found they were the same inadequate locales he had seen in ads in *The New York Times*. "They didn't even have a loading platform," said Yun, who receives and sells goods in hundred-pound containers.

In the meantime, the city and the Related Companies, acting as the new landlord, have sent increasingly stern warnings that the merchants had better get moving. Earlier this month they were given a March 31 deadline to agree to accept a relocation package that the city says is worth \$8 million—an amount merchants say won't cover the costs of re-establishing their businesses. Those who don't accept the deal face immediate eviction. Everyone, the notice said, must be out of the market a year from now.

"They are putting a gun to our heads," said Omar Duarte, whose Cuba Tropical Inc. employs a staff of 55 in a vast 50,000-square-foot space crowded with papayas and mangoes. "The reason I am here in this market is because we have been successful together," said Duarte. "The customers come for my watermelons, then they go across the street for someone else's bananas."

Three years ago, Cecilia Asiedu began selling African produce at stall number 21 under the Major Deegan Expressway. "This is a community, a United Nations of markets," she said.

A block down the cobblestone street, Stanley Mayer, the head of the merchants' association, runs a family-owned produce business with 30 employees that has been in the market since 1967. "I don't understand how the city can just throw away these jobs," he said. "They have the opportunity here to rectify 30 years of mistakes. Instead they're just trying to wipe us out, make us disappear."

The city's brusque treatment of the merchants is in sharp contrast to the care and handling it has given its new tenant. A few months after Bloomberg's announcement, the merchants hired Lowenstein Sandler, which promptly filed Freedom of Information requests with the city.



Produce: Or get out
photo: Jay Muhlin

Those records revealed the city's commitment to provide Related a minimum of \$80 million in federal Liberty Bonds, the low-interest financing incentive created by Congress after 9-11. Originally intended to rebuild Lower Manhattan, the city has won approval to use them elsewhere in the city as well, including a separate Related development in the Bronx.

In an April 2, 2004, agreement for the market project, the city also made an "absolute and unconditional" commitment that, should Related fail to win the necessary zoning and other permits, it will repay a \$32 million loan that Related got from the Bank of America to buy out Buntzman's interest. The same guarantee also applies should the city fail to deliver on the Liberty Bonds.

There are other protections as well: If Related wins approval for a smaller mall than the 1 million square feet it is seeking, the city will pay Related to make up the difference.

As for the now vacant Men's House of Detention, which looms behind the market, the city agreed that if it fails to convey a lease for the site to Related, it will make a "reimbursement" payment of \$10 million to the firm.

There was more. Thanks to what tenants say was Buntzman's failure to maintain the market, oil from ruptured fuel tanks long ago began seeping into the ground. This complicates the project because of environmental concerns, but it also makes it eligible for state cleanup funds. To that end, the city agreed to back Related's application to receive \$60 million in tax credits under state "Brownfields" legislation.

And still more. Immediately after the deal was signed, the city gave Related \$7.1 million in capital funds to be used to tear down a huge vacant six-story structure known as the "WH1" building that hovered

above the Major Deegan Expressway. The WH1 had teemed with merchants until Buntzman allowed roof leaks to go unrepaired and river water to flood the basement.

Related also received \$4.5 million in funds that Buntzman had held in escrow from his lease. According to the city, that money represents funds Buntzman was supposed to spend on infrastructure, while the vendors believe it also contains their security deposits. The city authorized Related to spend the money on legal expenses or any other "out-of-pocket costs." The one thing the funds can't be used for, the deal specifies, is to pay for a registered lobbyist.

Not that the Related Companies needs a lobbyist to get its calls answered by City Hall. Almost as soon as it was announced, the sole-source nature of the city's deal with Related to build a new shopping emporium on the Harlem River raised eyebrows. City officials said they were precluded from seeking bids or proposals from other developers as to what to do with the 32-acre site because the deal between Buntzman and Related was a strictly private transaction.

But after being questioned by the *Voice* ("Terminal Solution," April 14-20, 2004), a Bloomberg spokesperson acknowledged that Related first heard about the market's potential availability in the spring of 2002 when Deputy Mayor Doctoroff called his friend Ross, Related's chairman, to ask his advice as to what could be done with the site.

Ross and Doctoroff have known each other since 1997. The two men both used to own shares in the New York Islanders hockey club, and Ross serves as a board member and top fundraiser for NYC2012, the Olympics group Doctoroff founded.

In late December 2001, just days before Doctoroff took office, Ross agreed to serve as a personal guarantor for a bank loan to NYC2012 that allowed Doctoroff to recover \$3.2 million of funds he had advanced the Olympics committee. A City Hall spokesperson said that the loan guarantee was arranged by Jay Kriegel, NYC2012's executive director, and that Ross and Doctoroff never discussed the matter.

Later, in an effort to stay above reproach, Doctoroff sought and obtained a clearance from the city's Conflicts of Interest Board allowing him to work on matters involving Ross's company. Since the transaction between the two men had taken place before Doctoroff entered government, the board gave him a green light.

Despite the ruling, City Hall has maintained that Doctoroff voluntarily recused himself from any involvement in the Bronx market project. The deputy mayor made that move shortly after his call to Ross about the site in 2002, according to Michael Sherman, a spokesman for the city's Economic Development Corporation, which negotiated the deal with Related and Buntzman.

But for someone who had recused himself, Doctoroff stayed remarkably well informed. Appointment and telephone logs for the deputy mayor, obtained under a Freedom of Information request, show that he held at least seven separate meetings focused on the Bronx Terminal Market during 2002 and 2003 as the project was being negotiated.

Sherman said those meetings were merely briefings. "The deputy mayor was occasionally informed about progress towards a resolution. He did not issue any direction," said Sherman.

During that same period, Doctoroff and Ross were in close touch, speaking frequently and meeting regularly. The logs show that Doctoroff made four separate trips to Related's Madison Avenue headquarters to meet with Ross and other company executives. The two also met at the Regency Hotel in January 2003, just before Ross hosted a briefing for real estate CEOs about the Olympics.

Ross was so familiar to Doctoroff's assistants at City Hall, the logs show, that when he left a message he didn't bother to leave his number. At one point in June 2003, Related president Jeff Blau returned a call that Doctoroff had made to Ross. The chairman couldn't return it, Blau said in the message. He was in Baghdad.

A month earlier, on May 6, 2003, Doctoroff had received an excited message, this one from Alex Garvin, the former City Planning Commission member and noted urban planner who is responsible for planning all the sports venues for NYC2012.

"Met with Steve Ross about Bronx Terminal Market," the message read. "He [Garvin] thinks that there are some real opportunities there and he is planning on meeting with him and his architect when he gets back from Italy."

Garvin told the *Voice* that he had indeed gone to look at the market site that month as part of his NYC2012 duties. Originally, the bicycle arena had been slated to be located near the East River in Long Island City, but the owner of that site, a contributor to NYC2012, decided he had other plans for it. The Bronx site was a good replacement, Garvin said, and the Olympics committee later commissioned a design for the velodrome to be built on a portion of the market site.

Asked about his message to Doctoroff, Garvin said that he wanted to tell the deputy mayor—"the father of the Olympics," as Garvin called him—that he had been to see Ross about the site. "I was keeping him informed as to what was happening," Garvin said.

In his calendar, Doctoroff noted the April 29 press conference in the Bronx announcing the new mall, although he didn't make the trip to stand beside Ross, Mayor Bloomberg, and Borough President Carrión.

Nor was any mention made at the press event that officials had also

decided to place a major Olympics venue in the market's southwest corner.

"This was about announcing a great new and exciting project that will bring thousands of jobs to the Bronx," said Sherman. "It wasn't an Olympics announcement."

Carrión said he didn't know when the velodrome was added to the plan, but he recalled bringing Doctoroff to the market sometime in the early spring of 2002.

"I invited Doctoroff to come up," said Carrión. "We stood on the waterfront and I said, 'We have to give this gateway to the Bronx a better image.' "

To carry out its project, Related created a new entity called BTM Development Partners Inc. Among the partners is Michael Lehrman, a grandson of David Buntzman.

Asked if it was appropriate to have the Buntzman family benefit from the market's lucrative redevelopment, city officials said that the inclusion of Buntzman's relative had been part of the negotiations and that he has only limited involvement.

Had anyone ever considered the possibility of including the merchants in the reconfigured market? "Clearly you want to do anything that reduces resistance," said Jesse Masyr, an attorney who represents Related. "But it was two contradictory uses. It would be a transportation nightmare."

Carrión echoed that sentiment. "We are looking for a certain type of development here. They are just not a match."

Attorneys for the merchants' association said they plan to file suit in State Supreme Court in Manhattan to block the evictions. One legal claim will be that Related's lease is void because it was never put out for public bid.

The merchants also drew support from Anthony Weiner, the congressman representing Queens and Brooklyn and who is running for the Democratic nomination for mayor. "Under the Bloomberg administration we have become a city that worships at the altar of the big project, and ignores the fact that, for many families and communities, it is the small businesses that drive the economy," said Weiner.

Last week, Ralph Lelia, whose family has been selling fresh produce at the market since 1955 from stalls number 44 and 45, started selling spring flowers. He is waiting for shipments of melons, which he says are his biggest seller. On the walls of his stall are a large American flag and a photograph of Rudy Giuliani chatting with Lelia's late father in the

market. The photo was used by the former mayor in his campaign literature.

Like the rest of the merchants, Lelia blames the Buntzman family for letting the market go downhill. "In the '80s we had crackheads, prostitutes, we got no help from anyone. We survived all that," he said. "Now they just want us to go away."

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