

Neighborhood Retail Alliance

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Memorandum

From: Dr. Richard Lipsky

To: Council members

Subject: Related, Dan Doctoroff and the making of policy in New York City government

Date: 8/31/04

I am taking the liberty of outlining the stark case of favoritism involving Deputy Mayor Doctoroff and the Related Companies. The precipitating factor in this analysis first came to light in April with the press coverage of the takeover of the Bronx Terminal Market by Related. Prior to this announcement Doctoroff had intervened on Related's behalf at a Bradhurst Avenue project in Harlem. At that time, a scant two months into the new mayor's term, we had yet to realize just how determined the deputy mayor would be in the aggrandizement of Related's interests. Recently, however, we learned that Related was also awarded a "sole source" bid on the second phase of development for the Gateway project in East New York. The pattern has become too egregious to ignore.

The Bronx Terminal Market, which operated under a 99 year lease obtained under questionable circumstances by the Buntzman family, was once a major wholesale distributor of retail food and variety products for the city's bodegas and small restaurants. Owing to the ongoing legal battle between Buntzman and the city, the market had fallen into disrepair and the level of activity had been significantly diminished. In spite of its struggles, however, over

twenty five distributors, a number of minority-owned businesses, continue to do an estimated \$200 - \$250 million a year in wholesale transactions. In addition, although Related is going to pay the city \$250,000 a year in rent the current tenants are generating approximately \$1,500,000 under their current leases.

Given the market's decline, and as a result of its proximity to Yankee Stadium, a number of proposals have been floated to take over the market, either through buying out the Buntzmans or through condemnation. The "Yankee Village" concept was initially advanced by Freddy Ferrar and redevelopment of the area has been a major objective of current Bronx Borough President Adolfo Carrion. Clearly, the area is a potentially prime spot for redevelopment and quite a few developers have expressed an interest in helping transform the area. Redevelopment has been slowed, however, because of the legal battle and everyone waiting for the court case, set to go to trial in a few weeks, to be resolved.

Market Takeover Raises Questions

The takeover of the market by the Related Companies raises a number of important questions:

- 1) What role did the Economic Development Corporation play in acting as an intermediary between Related and Buntzman?;
- 2) Did EDC entertain other developers to assess the value of the site?;
- 3) Did EDC ask for any expressions of interest that would have enabled the city to gauge alternative visions for the site?;
- 4) If, as press reports state, Buntzman was paid \$40 million for the leasehold, then would a competitive bidding process have led to a higher figure?;
- 5) What role did EDC play in coming up with the buyout price?;
- 6) Could the city have extracted more than \$250,000 a year in rental income for the market if the process had been competitive?;

- 7) What provisions will be made for the relocation of the immigrant entrepreneurs from the market? Wholesale distribution businesses depend on accessibility;
- 8) What role did the Deputy Mayor play in enabling Related to get what amounts to a sole source bid for 1 million square feet of retail space?;
- 9) In the spring of 2002, the DOI investigated the links between Related CEO Stephen Ross and Dan Doctoroff. The investigation involved the fact that Ross had taken over as chairman of NYC 2012 and, at the same time, assumed a personal guarantee on a \$5,000,000 loan originally obtained by Doctoroff. The DOI denied the conflict since the transaction occurred prior to Doctoroff entering the Bloomberg Administration.
 - a. Has Doctoroff continued to act as a sponsor, giving Related “favored nation status” in city development project?
 - b. Was Doctoroff’s intervention on behalf of Related in the Bradhurst Development (see enclosed), the beginning of a pattern of favoritism?
 - c. Doesn’t the fact that Doctoroff is obsessed with the subject of the Olympics indicate that he and Ross continue to act as partners?

Bradhurst Development: The Beginning of a Pattern of Favoritism

The sandbagging of the Fernandez brothers on Bradhurst began a pattern of “benign neglect,” particularly of Hispanic-owned development. Major projects are off limits and, in spite of the fact that Doctoroff promised Fernandez that he wanted to “partner with them going forward”, the city has done nothing to help make Fernandez’s company whole after the decision on Bradhurst.

We must always remember that Related bid on Bradhurst yet was unable to live up to the terms of its own bid. Subsequently, as the numerous press reports highlighted, they kept going back to the city for greater subsidies so that Pathmark, a multi-billion dollar retailer, could afford the rent. If Related didn’t have the wherewithal to bid correctly on the project why wasn’t the bid reopened?

What’s interesting here is that prior to Bradhurst, Related never had built anything outside the CBD of Manhattan. Why bring them into Harlem if they couldn’t properly analyze

and finance the development? Why subsidize them when local retailers with a long history of commitment to the area had the financial backing to do the deal themselves?

The original designation of Related for Bradhurst made no sense. The intervention of Doctoroff on their behalf smacks of a corporate welfare mentality and an affirmative action policy for one's friends. Now, with Related's involvement in the Bronx Terminal Market, and the sole source award on Gateway, it appears that what happened on Bradhurst was just the beginning of a pattern of favoritism and a manifest display of conflict of interest. It shouldn't be allowed to stand.