

## Deco Bookshelf

**By Jim Sweeney**

Famous buildings are like famous people. You may think you know them, but you just know superficial things. And if you find out more, such as by reading a biography, you may feel a little disillusioned.

That's the feeling you may get from Mitchell Pacelle's "Empire: A Tale of Obsession, Betrayal, and the Battle for an American Icon" (\$27.95 hardcover, John Wiley & Sons Inc.). It's the story of a complex, often bizarre legal battle for control of the Empire State Building in the late 1990s. The situation was complicated by the byzantine world of New York commercial real estate and the massive egos of developers (Donald Trump and Leona Helmsley were involved).

In the end, it's not the building itself whose reputation is stained by the legal battle. But it's sad nevertheless.

Pacelle is a Wall Street Journal reporter who covered many of the developments in the Empire State Building lawsuits. The ownership battle will be vaguely familiar to most people, but unless you closely follow New York real estate or the Empire State Building, you probably don't know the particulars. Pacelle's book will fill you in on the details.

Aside from the aforementioned Trump and Helmsley, the story also involves reclusive Japanese billionaire Hideki Yokoi and his feuding, dysfunctional family. The family's role in this story is punctuated by many lawsuits and slights, but the anecdote that ends the book probably best shows their relationships: A while after his death, Yokoi's family had his elaborate tomb unsealed and opened the coffins of Yokoi and nine other family members, including his mother. They were looking for hidden money. They didn't find any.

Yokoi managed to conceal his identity while bidding for the building,

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using a New Yorker as a front. This was necessary because Yokoi had some shady dealings in his past that might make then-owner Prudential Insurance hesitant to trust him. Also, there was a backlash at the time against Japanese investors snapping up American properties.

The series of overseas shell companies and trusts that were set up to conceal Yokoi's purchase of the building made it nearly impossible to figure out who owned it. They also offered tax advantages. As it later became evident, it also became hard to figure out what would happen to the building when Yokoi died. His illegitimate daughter, who acted as his agent for many of his foreign purchases (he also bought castles in Great Britain and chateaux in France) structured some of the holding companies so she would inherit it. It was later disputed, including by her father, whether he intended to give it to her, or had bought it for her. But he never put his plans for the building in writing, Pacelle found.

One of the ongoing complications in buying the Empire State Building is that the building is encumbered by an ironclad 114-year lease to a partnership that included Leona Helmsley's late husband, Harry. The partnership pays \$1.9 million a year in rent. The building is subleased to many tenants. The lease runs out in 2076.

Pacelle carefully walks the reader through the financial implications of this situation: Without the lease, the building might be worth \$600 million to \$800 million, but the low return created by the lease makes it worth about \$25 million to a rational buyer. Of course, "rational" is not a term that applies to many of the outrageous characters who inhabit the world of New York real estate. On top of that, the Empire State Building is one of the ultimate trophy properties.

Despite the financial and legal tangles of this story, Pacelle keeps the buzzwords to a minimum and doesn't assume the reader is as immersed in these fields as he is.

Trump and Helmsley live up to their reputations. The Donald tried to get an ownership stake in the building without putting up a dime of his own money. Among his ideas was to put luxury condos on the top floors of the building.

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Helmsley, for her part, called up a building tenant who protested the shabby conditions and cursed her out. While it would probably seem really cool to be able to put "Empire State Building" as your address on your business cards and stationery, the book makes clear that this landmark had long been shabby and poorly maintained. It has never attracted major corporate tenants and is occupied by more than 800 small businesses.

At the time of the battle over the building's ownership, they were putting up with muggings, thefts, homeless people wandering the halls and rodents. To add insult to injury, the leasing company charged tenants for each rodent trap it put in their offices (and charged them again to retrieve the dead rodents).

Pacelle also offers some background on the building. The misfortune of being completed as the Great Depression began hurt leasing in the building. It was 80 percent empty at opening, and was still 25 percent vacant a year and a half later.

But by the 1950s, the Empire State Building was probably the single most valuable building in New York. The postwar economy was booming, and every real estate developer wanted it. In the 1950s, the building was profitable and always at least 97 percent full.

The 1950s was also when the leasing deal happened. Henry Crown, the building's Chicago-based owner, was selling to the partnership of Harry Helmsley and Larry Wien. They couldn't come up with the \$65 million price themselves. Prudential Insurance owned the land under the building. The deal they struck was to pay Crown's \$65 million asking price, then resell the building to Prudential for \$29 million. In return for the rock-bottom price, Prudential agreed to the long-term lease.

It probably made sense to someone at the time, but reading the details of this deal made my head spin. As Pacelle puts in, "Prudential owned the building, but had no voice in its operation." In the end, "for all practical purposes, Wien and Helmsley owned the landmark."