

Book Details Drama Surrounding New York Landmark

Empire: A Tale of Obsession, Betrayal, and the Battle for an American Icon

By Mitchell Pacelle

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How many real estate projects have led to bitterly fought court battles in Asia, North America, and Europe, and the jailing of real and would-be owners in three countries? How many buildings have simultaneously symbolized a world-class city, a nation's progress, and the reach toward the heavens that humans have exhibited since the pyramids?

What business enterprise has brought into confrontation such interests as those of billionaires in Japan and America, Harry and Leona Helmsley and Donald Trump, the Supreme Court of New York, an investigating magistrate in France, Hachioji Medical Prison in Japan, and armies of lawyers? How many real estate projects have had a B-25 bomber crash into them and survived?

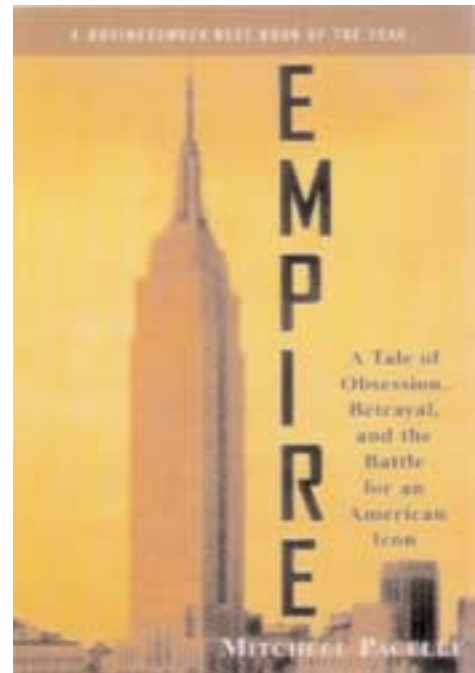
Only one: the Empire State Building. The majestic name evokes images of a great city's skyline, King Kong and Fay Wray, Cary Grant and Deborah Kerr, Tom Hanks and Meg Ryan, and 102 stories of steel, all at once. Never mind that its preeminence in altitude has been eclipsed several times since the 1970s: by the World

Trade Center towers in New York, which live on in memory; the Sears Tower in Chicago; the Petronas Towers in Kuala Lumpur; and several other buildings in China. Mitchell Pacelle, an award-winning writer for *The Wall Street Journal*, combined a reporter's penchant for facts with a storyteller's

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instinct for suspense and the unusual to provide a gripping account of the Empire State Building. Best known for his coverage of distressed companies, especially Enron, Pacelle brought a journalist's keen eye to the fascinating story of this U.S. landmark. He also meticulously documented his sources and methodology in a manner one would expect from a *Wall Street Journal* reporter.

From its beginning as the vision of former New York Governor AL Smith through its completion in 1931,



backed by Dupont and General Motors wealth, until the present, the Empire State Building has captured the imaginations of Americans and others around the world. Completed in only one year and 45 days during the depths of the Great Depression, the Empire State Building was a beacon of hope to many who felt defeated by the economic upheaval. At the same time, it was a huge risk for its developers, adding substantial square footage at a time when many other buildings were nearly empty. Had the story ended there, the Empire State Building's fame as a landmark real estate development and important milestone in the history of New York City eventually would have faded. But the real story of the building was just beginning.

Battles for Control

The legal separation of ownership of the Empire State Building's land and building from a 114-year master lease in 1962 set the stage for an era of shifting control, legal battles,

murky titles, and family strife. One might think that, with the world's largest building (at the time) involved, little room would remain for vagaries in documentation or for interpretation of law, let alone meaningful court challenges or even real uncertainty concerning ownership and control.

Think again. Pacelle takes readers through deals in which hundreds of millions of dollars change hands, epic egos grapple for the upper hand, and enough legal jockeying occurs to cross a judge's eyes, all seeking to answer the question: Who really owns the Empire State Building?

The turnaround management community will appreciate that the Empire State Building began life as a debt restructuring. Eighty percent vacant after the ribbon cutting in May 1931, the \$42 million "Empty State Building" was headed for bankruptcy. Both the mortgage and the tax assessment had to be restructured several times during the building's early years. The underlying real estate and a lease that ran through 2076 were split up in 1954 and subsequently passed through a few more hands. Then, the real fun began.

Enter an eccentric Japanese billionaire with a murky past involving black market dealings in military underwear. Law enforcement was on his trail over his role in a negligent building fire that cost 33 lives. He carried a bullet in his body, courtesy of the yakuza, the Japanese Mafia, and had an illegitimate daughter and French son-in-law who adopted the low-profile surname "Renoir"

The billionaire supposedly instruct-

ed this unlikely pair to acquire a huge array of trophy properties that included English castles, French chateaux, and the singular Empire State Building. Naturally, the building had to be bought secretly through a straw party because the xenophobic owners shunned controversy. The Kafkaesque billionaire, or perhaps it was his daughter, decided to hand over 50 percent of the upside to Trump for his unique handling.

The daughter, of course, claimed that the building was hers, a gift from her father, who wound up in prison in Japan over the building fire. Subsequently, the daughter landed in prison in France over her use of suspicious powers of attorney. The son-in-law found himself in prison in New York, fighting extradition to France. The billionaire then died, throwing everything into turmoil, as so much apparently depended on what he said and what it meant.

Following all this? There's much, much more! What would a real estate thriller be without Leona Helmsley, the "Queen of Mean" and a former guest of New York state prison system? She made her appearance and never left the stage. All of these parties - and others - are accompanied by phalanxes of lawyers. What fun! Who said real estate was dull?

A Year in the Making

Empire also has interesting lessons in the areas of corporate governance, especially in family-owned businesses. It is simply amazing that the ownership and management of such a landmark could ever have devolved

into such controversy, mystery, and infighting. When the motives of profit and pride collide, the results are always unpredictable! Pacelle said during an interview for this review that the book took more than a year to write, not including the extensive research he did for a series of articles in *The Wall Street Journal*. He said that after the book's publication, the interests represented by the Japanese billionaire's family and Trump sold out to the leaseholders, possibly to generate liquidity for the billionaire's failed empire.

By then, as a result of the events of September 11, the Empire State Building had regained its title as the tallest building in New York City. However, the tragedy has perhaps permanently dampened the public's enthusiasm for such tall structures, which has made owning such a trophy property much less attractive.

Whatever its future, the Empire State Building's history is fascinating. *Empire* is a great read - you won't be able to put it down.



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Brownstein serves on the Editorial Advisory Board of The Journal of Corporate Renewal and is a regular contributor to the publication.