
On Filene's, put up, or shut up

By Paul McMorrow

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BOSTON MAYOR Tom Menino faces several hurdles in restarting the stalled redevelopment of the Filene's block, but none is more imposing than basic American freedom. The mayor has a city's indignation on his side when he rails against the blight festering in the center of Boston's downtown, but property law isn't his friend.

Vornado Realty Trust

, the New York-based developer, holds the deed to the Filene's block. The company paid for the deed with \$100 million in cash. Lofty rhetoric can't dislodge Vornado, or compel it to build an expensive tower in the middle of Downtown Crossing. Fuming against the site's owners does no good. It's time for City Hall to either put up, or shut up.

Demolition of the Filene's complex stalled in the fall of 2008, leaving a massive crater in the middle of an already-struggling downtown shopping district. A public spitting match between the site's owners and the mayor has been raging ever since. Menino fired the latest shot last week, calling Vornado "a scurrilous group that should not be in the real estate business." The mayor had previously called the development firm greedy and reprehensible.

The problem is, for all Menino's fuming, the Filene's developers couldn't care less about the shame of the bully pulpit. They won't be broomed out of town by anything short of an eminent domain taking.

Vornado is running the same play at Filene's that it ran at the midtown Manhattan site that became Bloomberg LP's world headquarters - sit on a development site, let it go to hell, wait for the land's value to come up, make a killing, repeat. The hole where Filene's used to be has supposedly been for sale for nine months, but that bid is almost certainly a sham. Vornado's land banking at Filene's, waiting for the office market to improve, and asking potential buyers for twice what the site is worth is just Vornado's way of killing time.

Good development projects can transform urban spaces, and busted real estate deals can drag down entire neighborhoods. The Millennium Ritz-Carlton condo towers eradicated the seedy Combat Zone when they rose atop an old parking lot on lower Washington Street. Vornado's massive Filene's project promised the same sort of uplift for the struggling commercial district up the street; instead, Vornado blew apart the Filene's block, left a dark pit behind, and spread blight for blocks.

The area will stay blighted until the developer can find a way to turn its pit into a massive payday. Since the company is based in New York and has few Boston projects outside Filene's, it doesn't have to worry about angering City Hall and jeopardizing permits for its next deal. The company doesn't even have development permits for its Filene's deal anymore; City Hall snatched those in a fit of anger last year.

The lack of permits is no matter. The dirty secret in the Filene's saga is that, when the time comes for Vornado to finally restart work at the Filene's block, the company is going to get most of what it needs from City Hall, and it's going to make a tidy profit on the project. It has to. The city is caught in a Catch-22. Boston officials can't raise hell about Vornado's hole in the ground, and then maneuver to keep Vornado from constructing a neighborhood-rescuing project atop that hole. They can't say Steve Roth's filthy billions are no good in Boston. City officials don't have that luxury. As long as Vornado owns the Filene's pit, the city has to sit and wait for Roth's company, and no amount of public vitriol can change that fact.

Of course, there is one card Menino hasn't played yet. Fifteen months ago, the mayor threatened to seize the Filene's site through eminent domain. Menino didn't follow through, and instead settled on revoking Vornado's permits, because the city doesn't have the cash for a costly court battle, let alone a major land taking. It was a rational decision made in a brutal budget cycle. But by backing down, and declining to sink tens of millions of dollars into the Filene's fight, City Hall ceded all its leverage to the "scurrilous" developer it's trying to move. And no amount of name-calling can change that fact.

Paul McMorrow is an associate editor at Commonwealth magazine. His column appears regularly in the Globe.

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