

# MALLING THE NORTHEAST

BY ROBERTA BRANDES GRATZ

MANY MALL DEVELOPERS VIEW NEW ENGLAND as overly regulated and environmentally troublesome. But the partners of the Pyramid Companies, the largest shopping-mall developer in the Northeast, see only untapped potential. No site is too complicated, no downtown too powerful, no citizen opposition too strong, no environmentally sensitive area too sensitive to deter Pyramid from a site on which it wants to build.

In the last 10 years, Pyramid has completed 16 large enclosed malls in New York and Massa-

its current favorite project, a multipurpose mall and housing development in its hometown of Syracuse.

With the capacity to open three or four malls a year and its eye on available open space on assorted highway routes, Pyramid is changing the face of New England in a way that strikes fear in environmentalists, terrifies established retailers, provokes outrage in local citizens' groups, causes unease in state officials, exasperates planners and sparks joy in the hearts of shoppers.

And now Pyramid has added another weapon to its arsenal. Last month, the company agreed to purchase Bonwit Teller (earlier it had tried unsuccessfully to buy B. Altman). With retail giants everywhere collapsing, teetering or facing an uncertain future, the genre seems headed for the endangered species list. A mall, however, must have major retailers — anchors — to survive. And, for a price close to \$20 million, Pyramid has assured itself the Bonwit anchor for malls to come. The five Bonwit stores include, in addition to the Manhattan flagship, a Bonwit in Pyramid's Buffalo mall. Another Bonwit Teller will open soon in Pyramid's almost completed Syracuse mall.

"This is a company that defines the American dream as a mall in every wetland, and they'll stop at nothing to attain it," says Linda Sachs, former spokeswoman for the New York State Commission on Government Integrity. The group is investigating Pyramid's alleged involvement in the 1985 Town Board election in Poughkeepsie, where the company was seeking a zoning change and spent almost \$1 million to elect pro-mall candidates.

"They inch their way along, spend all sorts of money and then appeal to the public on the basis of how much money they've spent," moans a losing opponent, who does not want to be identified. "That's like the kid who kills his parents and pleads for mercy as an orphan before the judge."

But Robert J. Congel, (Continued on Page 54)

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OPPOSITE PAGE AND ABOVE: JOE TRAVER

chusetts and another 16 smaller shopping centers in New York. Among these are controversial and bitterly opposed projects in Albany and Utica, N.Y., and in Pittsfield, Mass. It has in the works 18 major development projects — new malls or expansion of old ones — including the proposed Palisades Center in Rockland County (which will cover 130 acres and have 153 stores), and a mall in Williston, Vt. (72 acres, 75 stores), and

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# PYRAMID

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Pyramid's founder and principal partner, sees things differently: "We're giving people a convenient place to shop with greater opportunity for consumer choice at a competitive price."

IT IS 6:30 IN THE MORNING IN downtown Syracuse. The rising sun slants through the two-story arched windows that line the walnut-paneled chamber, a tastefully refurbished former courtroom dating from the 1920's. The room is done in a Pompeian color scheme — soft peach pilasters, pale blue detailing, gold-leaf rosettes and a dash of red. Eighteen clean-cut young executives are seated around an 18-foot mahogany and burl conference table. The group, partners at Pyramid, are busy making notes on yellow legal pads, studying columns of numbers and occasionally consulting the support staff, which is seated off to the side. The day is underway at Pyramid headquarters.

This venerable chamber is not just a customized conference room. It is a communications center, a corporate war room with speaker phones built into each place around the table so that the whole Pyramid partner network is electronically connected at the same time each day.

The logistics of the multiple-permit process are always complicated, and resistance to Pyramid projects is often fierce. Considerable press attention has been paid to Pyramid's legal entanglements, environmental insensitivities and local negotiating patterns. Citizens' groups have sprung

up all over the Northeast, each with the same mission: to stop a proposed Pyramid mall. So, like generals conferring on how to motivate troops and manipulate treacherous field conditions, Pyramid executives work out the daily strategies before the local opposition has had a chance to open its war-weary eyes.

To these executives, field conditions at the different sites appear the same, all variations on an unholy alliance of local merchants, mall competitors, overanxious environmentalists and citizens afraid of change, resisting what *Forbes* magazine called the Pyramid "mall-building juggernaut."

"Controversy is the American way of life," Congel says with stoic confidence.

Each development battle, no matter the outcome, leaves the locality a different place. And while the executives around the table are low-key, dispassionate and matter-of-fact, and the business at hand appears mundane, this morning's agenda goes to the heart of the expansion of American life at the highway interchange. The trend toward regional mall proliferation — whether on empty cornfields or as replacements for downtown Main Street — is altering the American countryside and restructuring the national retail economy as significantly as mergers and acquisitions are altering the national corporate landscape.

Shopping centers already account for more than 55 percent of all non-automotive retail sales, according to an industry study. Most of this once

delivered a lethal blow to small and large traditional downtowns alike, undermining in one sweep local economies and traditional communities.

But local life-and-death issues intrude not one bit in this boardroom. Here the bottom line is getting the project done. At the head of the table sits Congel, the 54-year-old grandson of an immigrant contractor, who started laying water pipes, went on to build sewage treatment plants and then shopping centers. Congel sits, jacket off, mostly listening, commenting occasionally. He is asked by phone for "words of wisdom" for an upcoming meeting. Expansions underway at Holyoke, Mass., and Kingston, N.Y., and new projects at Taunton and Plymouth, Mass., are discussed.

Brief mention is made of the huge rock excavation (more than two million cubic feet) and \$200 million construction loan for the Palisades Center, in West Nyack, N.Y. Now going through the permit-approval process, it is one of the most controversial projects in the pipeline. Rocklanders remember too well the decimation of the county's traditional downtowns — like Nyack's — after the opening almost 20 years ago of the Nanuet Mall (not a Pyramid project). On top of that, the 108-acre, mostly vacant site is on the state's list of suspected hazardous waste dumps. At first, Pyramid proposed to build on the site by driving piles. Now the construction site is immediately adjacent to the supposed toxic ground but requires blasting away a small mountain, on the far side of which is an historic black cemetery.

But most attention this morning is paid to the Syracuse project, where a 120-acre regional mall — larger than all of downtown Syracuse's existing 1.2 million square feet of retail space — is nearing completion. As part of the project, Pyramid has also converted industrial buildings to office and residential use; the project has generated related plans for 2,000 units of new cluster housing and waterfront recreational facilities. The scale of the Oil City project — so named because the site was formerly occupied by an oil-tank farm — appears certain to transform into surplus goods the existing downtown of Syracuse.

Downtown property owners, retailers, civic groups and planners are understandably alarmed at the expected destabilizing impact, but the business community and Mayor Thomas G. Young are fully in step with Pyramid. The Oil City project, he told *The New York Times* in 1987, "can only bode well for not only the northwest crescent of downtown, but the entire tax base of Syracuse." There is little doubt that this is the project Pyramid wants recognized as its crowning achievement.

AS A PRIVATE PARTNERSHIP, Pyramid is not subject to the same kind of public scrutiny as a publicly held corporation. Figures on annual earnings are not available, but in 1988 *Forbes* magazine estimated the company's assets at \$2

billion. Interviews with Pyramid executives and public officials and a close reading of court records yield a picture of a tight ship under the skilled and watchful command of Congel. Congel himself, according to *Forbes*, is worth well over \$200 million.

Solid, unruffled, determined and, he says, "competitive by nature," Congel looks for similar qualities in the partners he picks — "intelligent, very aggressive and unemotional about business, in reverse order," says Congel. Every Pyramid project is a separate general partnership in which Congel or a member of his family have a controlling interest, which varies from 51 to 75 percent. There are no limited or outside partners but each partnership usually has six to nine general partners, depending on the size and complexity of the project, and one sponsoring partner, who is the site manager, the one who ushers the mall proposal through the public approval process, who hires influential local lawyers, architects, engineers and environmental consultants. The site manager is also responsible for subcontracting the construction work. (The Palisades Center project is expected to employ 2,000 workers, 80 percent from the local community, according to Thomas Valenti, the sponsoring partner for the project.) Congel expects the management of Bonwit Teller to follow a similar arrangement. Pyramid will retain a better-than-50-percent ownership position, and a sponsoring partner will run the retail operation.

Ben Frank is the sponsoring partner of Maple Tree Place (75 to 80 stores, 72 acres, 400,000 square feet, 2,100 parking spaces) in Williston, Vt., six miles from Burlington. Pyramid owns a 160-acre farm nearby, ripe for future expansion. Last December, the Williston Planning Commission denied Pyramid a building permit, but the company has appealed the ruling. The current proposal rose like a phoenix from the ashes of a dramatic defeat 12 years ago, and Pyramid executives appear confident.

Frank is a short, mild-mannered man who talks excitedly when he thinks his arguments might be less than convincing. "Environmental laws are being used to stop competition," he says, echoing a favorite theme articulated by Pyramid partners to explain away local opposition. In his farmhouse office, he argues that Maple Tree Place is "designed to be in harmony with the environment," with its attractively landscaped single-story buildings and sizable setback from the road.

Environmental laws are often the opposition's only weapon in a struggle over a piece of real estate. Pyramid partners advocate a very narrow definition of environmental law.

This was the case with Pyramid's original Williston plan, which was defeated, in part, by Vermont's strong environmental laws. The 1978 version (82 stores, 490,000 square feet, 2,600 parking spaces) was, as malls go, of medium size, but larger than the en-

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## Solutions to Last Week's Puzzles

RUGATE	EATS	HAP	GAME
ELEGIT	SLIPA	ACE	IVAN
PUTACORX	INIT	ZAP	VERA
ULTRA	HETERO	ESOTERIC	
TAN	LAIR	SAMPLE	BITAT
ETE	SUN	EIO	STENO
DELA	GETCRACKING	ADAR	
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PRATT	REELS	HARRIGAN	
RADIATE	NAUSEA	ASPERA	
EGO	GETOMY	OURMARK	TEH
SAUGER	TASMAN	IDIOTIC	
ASTERNAL	IGETA	NOONE	
TEEMED	ESA	EFT	
BALA	DOYOUR	STUFF	SHAR
AROMA	ONE	RAW	ELA
SAROS	CARESS	SIDI	PUL
ELEVATOR	ATABAL	MAOMI	
NITE	UZI	SAMEOLD	GRIND
JATO	TEE	EGLIN	PINNAE
ISAN	UNL	ESHNE	STATES

SCAT			
LUBE	BLAH		
YSER	OENW		
ADDS			
ROAMS	PARADIGM		
UPHOLD	MATTISSE		
GAUGUIN	SCUTIS		
SEVER	SEER		
ARAG	AGENDA	ERATIO	
LOGO	ANOA	DEGAS	
MONET	TTOR	ARIL	
AMISH	ONEIDA	LALO	
EAR	RILES		
HOOKA	CEZANNE		
UTRILLO	CRUDER		
REINSURE	ADANO		
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SOSO	GEAR		
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HEMP			TOLD
AMOR			OBOE
NINE			LIME
DRAPE	SNORY	ALTER	
	BUCKBOARD		
	OSA	POD	
WINERY	FIMERY		
AIRY	EATER	ROUT	
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ture retail space of downtown Burlington. Even today's scaled-down version would be the largest mall in Vermont.

The Williston-Burlington saga is the best example of Pyramid's never-say-die approach. Deep financial pockets and extraordinary patience give Pyramid an unusual ability to persevere. Six years, more than \$2 million in expenses and a fruitless court challenge to its permit denial did not quell Pyramid's determination to penetrate the Burlington market. Ben Frank, a resident of both Stowe, Vt., and Montreal, notes sternly that this is "a Ben Frank project on land owned by Pyramid." Though Pyramid retains the controlling share, Frank's connection to Stowe is supposed to give the project a local flavor.

"Last time, they were a double-breasted-suit crowd of city slickers," says Fred (Chico) Lager, president of Ben & Jerry's ice cream, which is based in nearby Waterbury. "Ben Frank wears plaid shirts and tries to be folksy, but Vermonters can recognize an authentic plaid." Lager is an active member of Citizens for Responsible Growth, the Williston-based opposition and the creative mind behind a series of newspaper ads. "They're Baaaack," shrieked one. "They Came From Outer State."

Frank argues, as do all Pyramid spokesmen, that "one well-planned, well-designed center will, if government does its job right and prohibits the rest of the area from fast-food spots and sprawl, prevent strip development from following."

"Evidence from all around the country suggests that just the opposite will happen, that sprawl and growth follow malls," counters Betsy Rosenbluth, assistant director for Burlington's Community and Economic Development Office, a Williston resident and active Pyramid opponent.

There is one major difference between conditions in 1978 and now. Downtown Burlington (60- to 70-percent locally owned retail stores) was clearly shaky in the late 1970's. The mall threat mobilized the city to upgrade its downtown by building on its existing strengths, preserving its genuine downtown character and not letting the

traditional retail core be replaced by an in-town regional mall of national stores. Today downtown Burlington is thriving, as Ben Frank is quick to point out.

But a recent study commissioned by the Chittenden County Regional Planning Commission estimated that Maple Tree Place would siphon off more than \$31 million in shopping revenues from Burlington and \$20 million from surrounding communities. Though it would add \$60 million of new shopping revenue to the town of Williston, the potential strain on local services could more than offset the income benefit. The study also predicted a loss of full-time retail jobs associated with current retail businesses and a gain in part-time mall jobs at below the average regional wage. The study analyzed 13 malls in the Northeast and South, some Pyramid and some not, and concluded that the downtowns of small cities suffered significantly following construction of regional malls, requiring a new and unending spiral of public investment to compensate for negative changes. The study did not consider the temporary economic benefits of jobs gained during construction.

"People joke that Vermont is 10 years behind the rest of the country," says Dee Stefan, a slight, dark-haired community college administrator who opposes Pyramid. "But it gives us a chance to see the mistakes of other states and fight not to repeat them." The more these Vermont loyalists talk, the clearer it gets that the mall fight is a psychological watershed for them, an attempt to preserve the spirit that they feel distinguishes this state from others.

So far, Pyramid Companies does not seem to lose. Defeat, when it comes, has been only temporary. In 1986, the Clarkstown Town Board in Rockland County, for example, defeated the zoning change necessary to build the Palisades Center. In 1988, with two mall opponents replaced on the Town Board by supporters, the zoning change passed. Two Pyramid proposals were defeated in the Pittsfield, Mass., area over a period of 20 years. But last fall Pyramid opened the 550,200 square-foot Berkshire Mall

at Pittsfield, while still tangled in litigation.

ROBERT CONGEL PROCLAIMS himself an environmentalist and owns 4,000 acres of wetlands, called the Savannah Wildlife Preserve, located between Syracuse and Rochester. Established in 1984 with 30 land purchases made over five years, Savannah has six full-time people to manage, develop and improve the land, which Congel uses for hunting and recreation. He also uses it as ammunition to counter the company's reputation for environmental insensitivity. "There is not an environment that can't be improved," Congel argues in response to criticism of Pyramid's pattern of seeking development sites in fragile environments that other developers shun. In Utica, for example, Congel claims, "the wetland we built on was marginal and full of junk. We built a pristine wetland that supports wildlife and vegetation and an improved flooding situation."

Environmentalists counter that humans can't replace artificially what nature has created. "Functions fulfilled by a wetland don't necessarily get fulfilled by a new wetland in another place," notes Peter Berle, the former State Environmental Commissioner. He stood in Pyramid's way in Utica while in office, and is now president of the National Audubon Society. New wetlands "can't serve the same ecological niche, and they don't maintain themselves naturally like existing ones," says James T. B. Tripp, general counsel for the Environmental Defense Fund.

Tripp successfully represented the Environmental Defense Fund against Pyramid in three Federal court cases the company brought in Boston, New York and Washington in an attempt to build a mall on a 50-acre wetland, called Sweden's Swamp, in South Attleboro, 30 miles south of Boston. Although considered a critical victory by environmentalists, the resolution was a clear case of Pyramid losing the battle but winning the war. Before the case was resolved, Pyramid joined forces with a competitor to build another regional mall in North Attleboro, a few miles from the disputed site.

The gravest problem reflected in this case, Tripp says, is the pattern, typical of but not exclusive to Pyramid, of buying distressed property cheaply. Buying up inexpen-

## What scares communities about Pyramid's aggressive pursuit of opportunity is the loss of local control and local character.

sive wetlands, flood plains and landfills leaves more money to fight a resistant permit process.

PEOPLE HAVE NO idea what they are in for," contends Lucille Bifano, of West Nyack. She is a member of the Southern Clarkstown Civic Association and is active in the fight against the Palisades Center. Her group has visited the newspaper morgues near Pyramid's battlegrounds, interviewed other opponents and, in turn, informed others facing Pyramid developments about what has been happening on their turf. "We have to learn from each other," adds Ms. Bifano. A stack of videotapes focusing on Pyramid's history and methods circulates among an informal opposition network of citizens and public officials.

The Clarkstown group learned some important lessons from nearby Poughkeepsie. Pyramid's four-acre, 1.1 million-square-foot Galleria opened there in August 1987, but the involvement of Pyramid in local elections in 1985 is the focus of a continuing probe by the New York Commission on Government Integrity, chaired by John D. Feerick, dean of the Fordham University School of Law. Says Anna Buchholz, then the Poughkeepsie town supervisor: "They went straight to the center of power and played a bigger league political game than this town had ever seen. It startled us to discover that outside money could have such an impact and it shattered people's illusions about the sanctity of local government. Now people are reluctant to get into local government, figuring they really don't have the time or energy to play the new game."

The Feerick Commission

scheme by which contributions from Pyramid partners and their families were reportedly funneled to the campaigns of pro-mall candidates for the Poughkeepsie Town Council when Pyramid needed the council's approval for a zoning change to build the Galleria. The commission says that \$776,967 was earmarked for those candidates. Neither the candidates nor the public knew where the support money was coming from. Most significantly, the contributions were reported after the election and in Albany, not in Dutchess County. Comparable elections customarily brought no more than \$20,000 in total contributions.

One pro-mall candidate, Louis Del Santo, testified at a Feerick Commission public hearing that letters to voters ostensibly from him and from his wife were neither authorized nor signed by them. The same was true, he said, of campaign material in which he supposedly called for better planning in Poughkeepsie and complained about the absence of a master plan. "I didn't even know what a master plan was," Del Santo told the commission.

Whether any illegalities will be found is still unknown. What is clear is that election-law loopholes were skillfully used to circumvent campaign finance limits. "What they did was not unique, just discovered," says one commission member. "The principal importance of what they did was that it was legal. This demonstrates that special interests can, in fact, buy an election without the people knowing they were bought." And because the campaign contribution records on file are often handwritten, illegible and with numbers that don't add up, "you can't even find out who bought the election because you can't get the information," the commission member adds.

After five mall supporters all Republicans, were elected to the seven-member Council, and mall approval was obtained, Pyramid turned its attention elsewhere. Of the five, four were defeated in the next election, two of them running for different office. The fifth left town.

Pyramid is still fighting in court to avoid testifying before the commission ("strictly based on legal advice," says Congel), which will itself shortly go out of business. Congel claims that the alternative in Pough-

donations to candidates. "There is always a certain amount of business that takes place under the table. There's hardly an election where cash does not change hands. We knew ahead of time that either we left Poughkeepsie or did it legally and played by the rules. ... It's a choice we made, and I'm proud of it. We gave local people the opportunity to have balance. We need predators and we need prey. All things are needed to keep the balance."

**C**HICO LAGER, THE Ben and Jerry's executive who opposes the Williston project, points out that a Pyramid consultant's report on the Poughkeepsie election, which was introduced as evidence during the commission hearings, concludes that the company "didn't need to go through such gyrations and spend so much money to buy an election. They could play it smarter by being Mr. Nice Guy with good public relations and a polite front man (à la Ben Frank) to talk straight to the people. The report told them they could achieve the same thing if they played it differently. While they always had a local partner carrying the ball for Pyramid, now they have refined the role and look for a representative who will appease rather than wear down and challenge a local community."

But whether the community likes the local partner or not, what scares it in the face of such a well-financed, powerful mall operation is the loss of local control and local character. Seventy or eighty national chain stores anchored by one or more department chains inevitably displace a substantial number of locally owned and operated stores. "These are not new retail dollars," says Peter Clavelle, the Mayor of Burlington. "This is displaced growth, not new growth. If we haven't learned the lesson from national experience that regional malls suck lifeblood out of downtowns, then we haven't paid attention."

Such notions, however, find no place in the crack-of-dawn meetings at Pyramid. Forging ahead, overcoming obstacles, looking for new opportunities — these are the issues confronting the partners. They have no intention of losing ... anywhere. "Almost anything is resolvable," says Congel with confidence, "if you work long enough." ■