

## NEGOTIATING THE MEGA-REBUILDING DEAL AT THE WORLD TRADE CENTER: ADJACENT PROPERTY OWNERS

LANCE LIEBMAN\*

I will be very brief because I am a peripheral participant in this meeting. The company with which I am connected, Brookfield, owns property near the site.<sup>1</sup> We were the third highest bidder to take over the World Trade Center in a deal that was completed in 2001.<sup>2</sup> If our bid had been slightly higher and we had won the contract, then my experience would have been different. However, as it stands, I am peripheral participant. My primary connection is with Alex Garvin, my college classmate and friend for almost fifty years, and Meredith Kane, one of my favorite students. I have a number of favorite students, but she is on that list.

Brookfield, a large Canadian company, owns One Liberty Plaza, a building next door to the World Trade Center site.<sup>3</sup> The law firm of Cleary Gottlieb Steen & Hamilton has its office in that building.<sup>4</sup> However, Brookfield also owns the four World Financial Center buildings, which were designed by Cesar Pelli and are representative of the financial center buildings that are constructed today.<sup>5</sup> At the time the World Trade Center was attacked, Merrill Lynch, Lehman Brothers, and the Wall Street Journal were in those buildings. This is Wall Street property; therefore, we bid to become the holder of the ninety-nine year interest in the World Trade Center. However, Vornado and Mr. Silverstein bid more. As a result, we had been

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\* Lance Liebman is the William S. Beinecke Professor of Law at Columbia Law School. He previously served as Dean and Lucy G. Moses Professor of Law at Columbia. Prior to that he served as a Professor and as Associate Dean at Harvard Law School. He clerked for Justice Byron White of the United States Supreme Court. Professor Liebman has been director of the American Law Institute since 1999. He has taught and written in numerous areas of law, including property law.

<sup>1</sup> Brookfield Properties, One Liberty Plaza, <http://www.brookfieldproperties.com/building/detail.cfm?BID=206> (last visited Apr. 13, 2008).

<sup>2</sup> Charles V. Bagli, *Vornado Realty is Highest Bidder to Win Lease for the Twin Towers*, N.Y. TIMES, Feb. 21, 2001, available at <http://query.nytimes.com/gst/fullpage.html?res=9D02E7D91739F932A15751C0A9679C8B63>.

<sup>3</sup> One Liberty Plaza, *supra* note 1.

<sup>4</sup> *Id.*

<sup>5</sup> Brookfield Properties, Four World Financial Center, <http://www.brookfieldproperties.com/building/detail.cfm?BID=204> (last visited Apr. 13, 2008); The World Financial Center, Property Owner/Manager, <http://www.worldfinancialcenter.com/?id=23> (last visited Apr. 13, 2008); The World Financial Center, Who We are, <http://www.worldfinancialcenter.com/whoware/> (last visited Apr. 14, 2008) (providing general information about the World Trade Financial Center).

sitting there on the edge. Then the events of September 11th occurred resulting in substantial damage to our buildings as well as to the World Trade Center.

I can, however, share four happy pieces to this tragic story. First, I remember standing in a room with a television set at Columbia University where numerous people had gathered. We were about six miles north of the site. I remember thinking about this building that the company of which I am a director owns and hearing the announcer say that One Liberty Plaza is falling down. As I watched the television, it seemed like an optical illusion. The soot and debris made it look like the building was falling, but it was not really falling. One Liberty Plaza did not fall down.

Second, the year before September 11, 2001, we hired a new director of security, a former New York police official. The new director of security looked at our contingency plan in the case of emergency, which stated that if something terrible should happen everybody should gather in the Winter Garden and remain there. The Winter Garden collapsed during the attacks; thus, if our contingency plan had been carried through that day, a lot more people would have been killed. However, when the director reviewed the plans, he formulated an entirely new plan that called for people in each of the four World Financial Center buildings to use different exits and head in different directions. In retrospect, the plan seems obvious, but I am not sure I would have thought of it. Having followed the new director's plan on September 11, none of the thousands of people in the four World Financial Center buildings was seriously injured.

Third, the damage sustained to our buildings exceeded \$100 million. The buildings were insured by various insurance companies and we did not have a single insurance problem. We filed claims, the claims were paid, the buildings were reconstructed, and the whole process proceeded smoothly. This was extraordinary when you think of the magnitude of the losses. Of course, \$100 million is small change in comparison to the situation, but the ease of the process which we encountered still surprises me today.

The fourth story involves an elected official. In December 2001, a couple of months after the tragedy, we had a fund raising event at One Liberty Plaza for the senior Senator from New York, Charles Schumer.<sup>6</sup> Mr. Schumer was a student of mine in 1971 when he took Property from me in the second class I ever taught. Since he was a former student and I had not been to One Liberty Plaza in a few

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<sup>6</sup> See generally Senator Charles E. Schumer, SENATE.GOV, <http://schumer.senate.gov/> (last visited Apr. 21, 2008).

weeks, I thought I should go down and look around. Massive repair work had been underway at One Liberty Plaza since immediately after the September 11 attacks. I arrived and as I was going inside, I saw a woman from the company. I stopped and asked her how much of the building was already reoccupied and she replied that it was “amazing” because after only three months the building was forty percent reoccupied. I was astonished that it had proceeded so quickly. Then, I got upstairs to the event and during Chuck’s speech he said that he was delighted to report that the building was now seventy-five percent reoccupied. Since 2008 is a political year in which people are running for office, you had better listen because that is how you hear these inconsistencies.

I have one final word, as someone who has been teaching property for thirty-seven years and who taught real estate a number of times earlier. I think the story that we have heard this morning is extraordinary. Each presentation was engrossing. I have been to several events like this one, and this is one of the best I can remember. We should be grateful to the participants. But for teaching, this is really hard. Even if we are not trying to teach students how to deal with the problems of the World Trade Center, which is a special, unique, high-end, multi-million dollar situation, the students we teach go into various aspects of real estate from Maine to Hawaii. Thus, we are teaching these matters about public and private relationships with a number of different governmental units, including federal, state, and city. I can remember years ago when people would tell me that the entire first-year curriculum was private law. I would respond that I teach property and property is not private law. Obviously, this is public and private law, and while the words do not mean anything, teaching students how to deal with the governmental, insurance, investor, banking, and lender issues that are involved in most routine real estate teaching we do, and to find materials, examples, and stories, and present them in a forum where lawyers can be creative and effective is a fascinating challenge and a good reason to keep teaching in this field. We have all learned things today. Now we must figure out how to incorporate some of these concepts into our teaching. Thank you.