Entrepreneurial Cities and Maverick Developers

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Frieden and Sagalyn note that, in the 1970s, a city's favorite solution to solving its problems was to build a mall. Although in the complete chapter the authors focus on four case studies of varying political and social conditions, this selection contains only the most prominent example of a downtown retail success story, Boston's Faneuil Hall Marketplace. In developing the marketplace, Boston's leadership wanted to find a developer who could create a feasible retail project while preserving the architectural merit and historic character of the market buildings. James Rouse more than fit the bill, with his nerve and skill to "fit a modern retail operation inside the walls of 150-year-old warehouses on a crowded site in the heart of the city." Rouse was an optimist who believed that "the development business primarily consists of finding a way to overcome crises." This selection offers valuable insights not only into a complicated, pioneering downtown redevelopment project, but also about one of the country's most innovative and courageous developers.

While Pasadena struggled for ten years to complete its mall, more than 50 other cities decided to start their own retail ventures. Although Pasadena showed that massive subsidies would be needed to wrench these projects loose from a retail industry still attached to the suburbs, downtown coalitions ranked shopping malls high on their agenda. Every city had its own reasons, as public officials and civic leaders kept groping to figure out what made sense for downtown and what the public would accept. But no matter whether a city's immediate problem was to save a historic building, remove an eyesore, or demonstrate the mayor's competence, the favorite solution of the 1970s was to build a mall.

A Landmark in Boston

Boston's decision to build Faneuil Hall Marketplace was exactly in tune with the mood of the times, yet it was more the result of close calls and lucky breaks than of a calculated choice in city hall. The city came close to pulling down the historic buildings in the 1950s and later nearly took the project away from the architect and developer who came up with the idea of turning them into a shopping arcade.

The once-elegant market structures began to outlive their usefulness by the early 1900s, when delivery trucks jammed the narrow, congested streets and merchants began to leave. By the 1950s, the market was dingy, deteriorating, and partly deserted. In 1956, the City Planning Board marked it for clearance to make way for office buildings.

Three years later, the Cambridge consulting firm of Adams, Howard, and Greeley drew up the first plan that advised the city to keep the three buildings as a marketplace. Kevin Lynch, an MIT professor and urban design specialist responsible for much of this plan, soon learned what some of the city's political leaders thought of historic preservation. After he finished briefing a State House committee on the new recommendations, one of the legislators took him aside to check whether he had heard his name correctly and, if so, whether he was Irish. When Lynch assured him that both points were correct, the representative whispered to him, "Tell me, why do you want to save these old Yankee buildings?"

Saving decayed buildings did not become established as city policy until the 1960s, when redevelopment director Edward Logue consulted with architectural historians and decided they were worth saving. He set the process in motion by persuading the chamber of commerce to undertake a renewal study of the waterfront area and then used the study to secure federal funds for a more detailed plan. Both the chamber's study and Logue's plan were explicit in proposing to renovate the market buildings, and city council approval of the downtown waterfront renewal plan made it official in 1964.

The renewal plan justified saving the market area as "one of the finest urban spaces in America" but was less than clear about what to do with it. Shopping was only one of several possibilities. The plan recommended keeping the few restaurants and retail food outlets that were there and improving the market by adding offices, other businesses, and apartments.

While the redevelopment authority was busy moving the food wholesalers to other quarters, Ben Thompson turned up one Sunday to photograph the interesting old buildings and began to think of how he might renovate them. Intrigued by the prospect, he pored over early photos and drawings of the Faneuil Hall markets and found in them a sense of action and excitement that he wanted to bring back to modern Boston. For ideas, he thought about Tivoli in Copenhagen, Ghirardelli Square in San Francisco, and the Farmers' Market in Los Angeles. He also started talking to Logue.

Thompson was a businessman as well as an architect. He had learned about merchandising as the founder and head of Design Research, a retail chain specializing in contemporary home furnishings. As owner of a successful restaurant in Harvard Square, he also knew the food business firsthand. Thompson saw a way to bring the traditional market back to life as part of a merchandising strategy with food as the theme.

By the time the redevelopment authority was ready to invite competitive proposals from developers, Thompson had found a Philadelphia sponsor who wanted to build the sort of retail center he had in mind. In late 1970, the firm of Van Arkel and Moss, with Thompson as architect, submitted a proposal emphasizing retailing. They planned to use the central Quincy Market building as a food arcade and to renovate the two adjoining buildings for retail stores on the ground floor with offices and either a hotel or apartments above. Two other developers who made proposals intended to have fewer stores and more offices, one even featuring a corporate headquarters in remodeled space behind the old facade.

The redevelopment authority awarded the project to Van Arkel and Moss and set up a series of tight deadlines to get the project financed, leased, and into construction. When Van Arkel and Moss was unable to meet any of these deadlines, the authority took back the project. Thompson promptly started a national search for a more capable developer but found little interest among the people he knew. The redevelopment authority, meanwhile, decided to protect the buildings by starting exterior restoration under a federal grant for historic preservation.

With more time to find a new client, Thompson wrote to James Rouse at the suggestion of a mutual friend. This time he had gone to the right address: Rouse not only wanted to do a downtown retail center but had a special interest in food markets. He had been experimenting with food courts in several of his suburban malls and was pleased with the results at Sherway Gardens near Toronto and Paramus Park in New Jersey. Rouse took one look at the Faneuil Hall site and said, "Damn, if this kind of thing can succeed in Toronto and Paramus, here right in the heart of downtown Boston it ought to be possible to produce a very special kind of place."

Rouse and Thompson agreed at once to work together and told Mayor Kevin White and redevelopment director Robert Kenney in the spring of 1972 that they wanted to develop the market complex. White and Kenney were more than encouraging. "It was like we were the knight on a white horse; we were just embraced that we were coming in to save this project," according to Rouse. While he and Thompson went about refining Thompson's earlier plans, they started negotiating the terms of an agreement with the city.

Meanwhile, one of the previous competitors for the project, Roger Webb, submitted a second proposal to Kenney. His plan was to renovate only the two warehouse buildings on either side of Quincy Market, leaving the city to improve and manage the central building. Webb and his partners were Bostonians prominent in architectural preservation, and he had recently renovated the old city hall. Their proposal was not for a retail center but for equal amounts of office space and stores in the north and south buildings.

In December, Kenney took Rouse and Thompson totally by surprise when he told them he would recommend giving the project to Roger Webb at the meeting of the redevelopment authority two days later. Rouse called his friends in Boston at once to ask them to talk to the mayor and anyone else who could help. When the authority members put off their decision, supporters of the Rouse-Thompson plan gained precious time to campaign for it. Several influential Boston bankers and property owners, convinced that Rouse and Thompson were more likely to build something of value for downtown, put pressure on Mayor White to intervene. A group of downtown executives who favored Rouse and Thompson organized themselves as Neighbors of Government Center and urged White to conduct a careful review of the two proposals.

While White pondered his decision, the redevelopment agency, Municipal Research Bureau, and Neighbors of Government Center studied the competing proposals. It was clear that selecting Rouse as developer would offer the best prospect for creating a large retail magnet in the market buildings; choosing Webb would mean saving the historic buildings without a retail focus and without the pageant of food and people that Rouse and Thompson envisioned. But the reviews focused less on what each developer would build and more on what they would do to repay the city's investment. Rouse was willing to guarantee a return of at least $600,000 a year to the city, to be paid before debt service and operating expenses, while Webb proposed to take a limited profit and turn the rest of his rental income over to the city without making any guarantees.

When the city council held hearings on the two proposals, Boston developer Norman Leventhal, speaking for Neighbors of Government Center, told them he did not think the Webb group had the marketing expertise to handle this project. As Leventhal described the situation, Webb would have an unsupervised contract with no accountability and no obligation to provide a return for the city. The council committee on urban renewal recommended giving the project to Rouse and Thompson by a unanimous vote.

By that time, Rouse got to see the mayor. At White's suggestion, they took a walk through the run-down market buildings and stopped for a cup of coffee at a little restaurant still in business. Rouse recalls White saying, "I understand that you bulldoze your way through anything you see that you can't get done; you just bulldoze your way through." "No, we don't do that," Rouse replied, "but I'll tell you this: we'll fight hard for what we believe in and we will try to overcome every single roadblock there is." "How do I know you're going to do what's best for Boston?" White asked. "I don't want one of these damned buildings that really isn't right for Boston." Rouse offered to work closely with the mayor: "I'll meet with you once a week to report on everything we're doing, step by step. You can watch it all the way." As a former student of architecture at Williams College, White wanted to be involved in the design enough "to be sure they didn't muck it up with neon signs on the roof or something like that." Rouse offered him that opportunity but left town without knowing where he stood. Two days later, in late March 1973, the redevelopment authority named the Rouse Company as developer.

The Boston decision to have a downtown shopping mall was far from straightforward. It started with a decision to save the market buildings because of their architectural merit, and for most people in city government, that was always the main consideration. A fire that destroyed the historic Clinton poultry market across the street in 1971 reinforced their fears that if the Faneuil Hall markets were not soon renovated and reoccupied, they too might be lost. For the redevelopment agency, the market complex was becoming a white elephant, demanding much care and expense and providing little return. They were eager to find a developer—almost any developer—who could figure out a way to make use of it without destroying its historic character.

Nor did the redevelopment staff have any notion that retail stores in market buildings might be designed to attract large crowds of visitors to the city. "Our idea," according to research director Alex Ganz, "was to serve the growing residential market near downtown, plus office workers, and maybe increase Boston's share of retail trade just a little." But their search for a developer led to Rouse and Thompson, who did have a strategy to bring in large numbers of people for shopping and entertainment. The eventual choice of Rouse and Thompson did not mean that city officials shared their high expectations—in fact, they did not—but that key business leaders and Kevin White were impressed by Rouse's commercial success and Thompson's imaginative plans. Their proposal promised reasonable financial returns for the city while replacing the ruin outside the mayor's window.

The Boston story of chance events and happy accidents is not very different from the way other cities got started. Luck was usually as important as rational calculation. The slow pace of urban renewal in the 1950s saved Quincy Market from the bulldozer, and the readiness of the business establishment to pressure Kevin White in the 1970s gave Rouse and Thompson a chance to build their symbol of downtown revival.

James Rouse: Mixing Pleasure with Business

The development team of Rouse and Thompson brought to the project special abilities that would not only help to get it built but would make it succeed even beyond the expectations of city officials. Thompson's plans were a striking achievement in themselves, fresh and ingenious in the way they adapted old buildings to new uses. Rouse added an equally essential ingredient: he knew how to turn the visions of an inspired designer into a project that could meet the commercial demands of investors, mortgage lenders, and merchants. "Profit," according to Rouse, "is the thing that hauls dreams into focus"; and he would shape these dreams into high-volume sales and high-rent space. He would go for a broader market than the restricted clientele of Thompson's avant-garde furniture stores and upscale restaurant. Unlike the earlier urbanists, who wanted to rebuild cities for the elite, Rouse's approach was to entertain middle-class shoppers and make them feel comfortable.

By the standards of the shopping center industry, whatever Rouse and Thompson did was bound to be unconventional. They were trying to fit a modern retail operation inside the walls of 150-year-old warehouses on a crowded site in the heart of the city. Only a developer with nerve and skill could do the job, and Rouse had those qualifications. A self-made man who started out as a mortgage banker, he switched to shopping center development at the age of 40 when regional malls were a new idea. He helped refine the concept by building one of the first enclosed, air-conditioned malls in the country in 1958. By the time he was 50, he embarked on another pioneering venture, building a new city of 60,000 from scratch at Columbia, Maryland. Intending Columbia as a model for future suburban growth, he took the unusual step of convening a group of social scientists and other academic advisers for ideas on planning and servicing the new community.

By the time Rouse met Thompson, he had been trying for ten years to build a shopping center downtown, first in Fort Lauderdale and then in Norfolk, Virginia, before throwing in the towel. Each abortive effort made him try harder, and when the Boston opportunity came his way in 1972, he was 58 years old and eager to try again.

Rouse's innovations usually had some underlying social concept. In his suburban malls, he tried to create community centers. At Columbia, he tried to demonstrate the advantages of a comprehensive plan for neighborhoods, parks, schools, shopping, jobs, and a town center. Further, while racial conflict was tearing other cities apart, he made a special effort to build racially integrated neighborhoods in Columbia.

He also had a special reason for wanting to build downtown shopping malls. Retailing, he believed, was one of the most important activities for regenerating cities—"a critical triggering ingredient"—because its appeal was potentially so broad. "Everything else in the center of the city serves a particular market," he said. "Offices are for office workers, the theater is for people who go to plays, the art museum is for people who go to see art. But everybody is involved in the marketplace, and as it is lively, appealing, and attractive, it draws people to the center of the city." Even Boston officials who wanted nothing more than to save the historic structures would also welcome a project that drew crowds back to the city, and Rouse was prepared to use his opportunity for that purpose.

Rouse had the resources to be an innovator at the Faneuil Hall markets. By the early 1970s, his network of successful regional malls had given him the credentials, skills, and business contacts he would need to handle a project as risky as this one. Rouse had also organized a company capable of putting visionary ideas into operation. The complexity of shopping center development demanded the talents of many experts and the leadership of more than one executive. When we speak of Rouse's work on Faneuil Hall Marketplace, we are describing the work of a managerial team headed by James Rouse as chairman and Mathias DeVito as president of the Rouse Company in the 1970s.

Rouse had an operating style well suited to working in new and unstructured situations. Unknown obstacles did not discourage him; he was an optimist who believed that close calls are normal in real estate and that "the development business primarily consists of finding a way to overcome crises." His colleagues did not always share this view, and Rouse sometimes had to calm anxious members of his own board. While he was working on Columbia, one board member called to ask whether the company was in trouble. Rouse said, "Of course we're in trouble; we're always in trouble." His director told him that Wall Street was upset because of a report that Rouse was unable to raise any more money for the sewer system in Columbia. Rouse acknowledged that the report was correct. Asked what he intended to do about it, he replied, "I haven't the foggiest notion what we're going to do about, but we'll find an answer."

With his high tolerance for risks and complexity, he was able to persuade his board to go along with projects such as Faneuil Hall, but sometimes only by the skin of his teeth. When Faneuil Hall was in its early stages and he was still juggling all the risks while trying to handle increasingly complicated negotiations with the city, he made the mistake of having his project chief describe the full situation to the board. They were horrified, he recounted: "My God, there were demons at every step." The board wanted to withdraw at once, but Rouse convinced them to allocate another $500,000 to move ahead, and from then on, he was able to keep up the momentum.

Aside from a cheerful acceptance of crises, Rouse brought with him a conviction that the major obstacle to overcome was a negative frame of mind about downtown and its future. When he agreed to do the Gallery at Market East in Philadelphia at the same time as Faneuil Hall, he faced the doubts of the public, department store executives, and prospective tenants that a retail center could draw customers to that "unsafe, dirty, inconvenient" part of town. But he had resources beyond personal persuasion to win over the skeptics. His impressive track record in the suburbs helped convince investors and merchants to give his latest ideas a chance, and he had influence with businesspeople who wanted places in his suburban malls. "We had one hell of a time leasing the Gallery," he reported, but he was expanding his Cherry Hill Mall near Camden, New Jersey, and was prepared to make package deals: "We were finally very up front with the fact that any merchant who wanted to come into Cherry Hill also had to come into the Gallery."

Rouse was truly exceptional among developers in his willingness to take on the political battles that sometimes came with downtown territory. To get the Faneuil Hall project, he acknowledged "pulling every legitimate pressure we could find—which was *everything* we could find—from anybody who knew the city, knew the mayor. We did marshal a hell of a lot of support." Later, in order to build Harborplace in Baltimore, Rouse had to get voter approval in a special referendum. To win the election, he threw himself into the campaign like a professional: "Our goal was that every political club in Baltimore on election day would have to be handing out sample ballots that were for us and against the opposition, and every political club in Baltimore did. The black churches distributed 50,000 handbills in favor of Harborplace." To win support in a mostly black city, he met with 50 leading black ministers and promised minority jobs and business opportunities in the project. He was an effective campaigner, blending business purposes with his sense of social mission. "We just made our case," he explained, "and our case was honest and valid and should have been supported." Any developer would have been ready to state a case, but few would have been willing to mobilize political clubs and churches, and still fewer could have masterminded an election campaign.

For the profile of James Rouse, we drew on a personal interview, as well as the following published sources: William Fulton, "The Robin Hood of Real Estate," *Planning* 51 (May 1985), 4–10; "James Wilson Rouse," *Fortune,* March 23, 1981, p. 108; Gurney Breckenfeld, "Jim Rouse Shows How to Give Downtown Retailing New Life," *Fortune,* April 10, 1978, pp. 85–91; and "Cities Are Fun," *Time,* August 24, 1981, pp. 42, 53. From Rouse's published views, we reviewed "The Regional Shopping Center: Its Role in the Community It Serves" (prepared for the Seventh Urban Design Conference, Harvard Graduate School of Design, April 26, 1963, authors' files); "Must Shopping Centers Be Inhuman," *AF* 116 (June 1962), 105–108; and "You Must Take a Good Look at Your Responsibilities," *SCW* 5 (November 1976), 9–12.

For the profile of Ernest Hahn, we drew on a series of personal interviews, as well as interviews with long-time associates and staff, in particular, John Gilchrist, Jr., Ronald Hahn, Harry Newman, Jr., and Albert Sussman. We made use of "The Half Billion Dollar House That Hahn Built," *National Mall Monitor* 9 (May–June 1979), 45–52; and "Interview: Ernest Hahn: 'We'll Have Stable Growth . . . ,' " *SCW* 6 (February 1977), 13–16.

The comment on developers as masters of long-drawn-out negotiations is from Leonard L. Farber, "Shopping Centers in the 1960s" (address to ICSC Conference, San Francisco, May 2, 1960).