



The Bullard Houses

General Instructions

The Bullard Houses are situated on Bay Drive in Gotham City. Gotham has a population of 800,000 within the city limits and 4 million including residents in the greater metropolitan area. The Bullard Houses, built in 1884, are located at the edge of Gotham's historical district. "Houses" is a misnomer: they are actually a single structure of 51 connected brownstones on an 11.5-acre plot that abuts the downtown financial district (see attached map).

For nearly 50 years, the Bullard Houses dominated the Gotham vista as their residents dominated the city's financial and political structures. Built by what one historian called "an assemblage of former horse thieves, peddlers, farmers, and fur trappers," with fortunes swollen by Civil War profits, the Houses quickly became a monument to privilege. Their splendor from without was rivaled only by the elegance of the salons and ballrooms within. The Houses seemed to be above daily life – even during the Great Depression of the 1930s they remained a beacon of success. Eventually, however, shifting economic and sociological trends brought an end to the Houses' proud reign of privilege.

After World War II the swollen demand for housing in the historical district abated. The age of its buildings, the narrowness of its streets, and its deteriorating sewer system hastened a long, steep decline into crime-ridden decay. The war's end also brought superhighways and rapid transit that made Gotham accessible from still undeveloped, outlying areas. Finally, air-conditioning became widely available, making the once crucial bay breezes superfluous and sealing the Bullard Houses' fate. Its occupants relocated en masse to the lush hills north of Gotham.

For the past seven years the Bullard property has been owned by Downtown Realty, Inc. Downtown bought the property, then occupied by low-income tenants, hoping to renovate and convert the property into condominiums. When Gotham's nascent Landmark Commission declared the property a landmark, however, that plan seemed unlikely to be as profitable as hoped. Nevertheless, Downtown has proceeded to clear

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nearly all of the tenants from the building and has signed a relocation agreement with the remaining few. If all goes as planned, the Houses will be empty in six months.

Downtown Realty's original predictions of a downtown resurgence proved correct, however. Gotham weathered the recent recession magnificently with a successful biotech industry that lifted the local economy over the bumps of the nationwide slowdown. As this industry has prospered, demand has increased for new skyscrapers in the financial district. Biotech conventions have increased, and current meeting facilities are strained. Meanwhile, living in the city has become fashionable again, and the historical district has been almost completely gentrified. It is now the chicest area in Gotham.

Ironically, in the midst of this prosperity, Downtown Realty has run into trouble. The zoning clearance for their planned condo development has proven more difficult to get than expected. Gentrification and the current condo craze have driven apartment rents sky-high, forcing many middle- to lower-income residents of the historical district to relocate. This has fueled jealousy and resentment towards the young and newly wealthy biotech professionals who are moving into the area. Beyond a doubt, this contributed to the election of a populist mayor. At her urging, the Gotham City Council passed tenants' rights and anti-condo legislation that stretched the relocation process to nearly three times longer than Downtown's original estimates. Moreover, the legislation required significant cash payments to departing tenants. As the number of tenants dwindled, so did Downtown's cash flow. Taxes rose however, and Downtown discovered that it costs almost as much to heat a near-empty building as a full one.

As a result, with roughly six months of tenant clearance remaining, Downtown is in a state of financial extremis. First, it is delinquent on \$60,000 in back property taxes. The city has begun to threaten a tax sale, but the formalities would take at least a year. Second, it will be unable to make its annual \$189,000 payment due next week on the 20-year, 7% note (\$2 million principal) it gave to the previous owners of the property. However, the corporation is in no immediate danger of triggering the acceleration clause for default on payment, because Downtown's owners (wealthy individuals) could loan it the \$189,000 needed before the deadline.

Downtown's owners want to sell the Bullard Houses as soon as possible. Retaining the property for any significant period would require a substantial capital infusion by the owners to Downtown, which they are reluctant to make. Furthermore, they no longer have any interest in developing this property themselves as they have soured on rehabilitation and would prefer to specialize in new development. They also need the money they have tied up in the Houses to finance new investments. Under the circumstances investment loans would be hard to come by.

Downtown's architectural consultant believes that the Houses could be converted into approximately ninety large, luxury duplexes or 51 magnificent brownstones. This might

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be politically problematic, however. Considerable anger has been aroused by the move to resurrect the Houses as a symbol of wealth and privilege. In a speech last week, the mayor once again denounced gentrification as a heartless displacement of the poor, suggesting that if Gotham had the money (which it doesn't) it would purchase the Houses by eminent domain and let *all* citizens, not just the rich, have access to the landmark.

Landmark status, tenants' rights, and anti-condo legislation have frozen the Houses in their dilapidated state for seven years. However, while the preservation of landmarks and tenants' rights are politically popular, the current real estate boom in the downtown area is putting the Landmark Commission and the Zoning Board (both dominated by allies of the mayor) under significant pressure to promote *some* development of the Houses as soon as possible. The entire Bullard parcel is zoned residential, so a condo conversion plan that preserved the building's facade would pose no legal problems. Eventually, unless they find a better alternative, these two administrative groups will probably swallow their populist ideals and approve a plan for luxury duplexes or brownstone.