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Goldman Plans at Ground Zero Are in Doubt

By [DAVID W. CHEN](#) and CHARLES V. BAGLI

Goldman, Sachs & Company, the only firm that had been committed to building at ground zero without insurance money, said yesterday that it had suspended plans to build a 40-story, \$2 billion headquarters. Officials who were briefed about the decision said the company was troubled by the location of a proposed tunnel beneath the site.

As envisioned under a plan endorsed by Gov. George E. Pataki, the tunnel would send four lanes of express traffic through a bypass below West Street, with the mouth near Goldman's proposed headquarters at the northwest corner of West and Vesey Streets.

But Goldman has objected to that plan, saying that the tunnel, much wider than the Park Avenue tunnel running from 33rd to 40th Streets, would send traffic racing past the building's entrance, making it too perilous for pedestrians, and too daunting and forbidding for clients or visitors.

Henry M. Paulson, Goldman's chairman, informed Governor Pataki and Mayor Michael R. Bloomberg of the decision yesterday, officials said. And while Goldman officials emphasized that it was still possible that they would build on the site, they also said that it made financial sense to expand their options for a permanent home for 10,000 employees in Manhattan.

"We are committed to keeping our headquarters in Manhattan," said Peter Rose, a spokesman for Goldman Sachs.

Whether the suspension is temporary or permanent, Goldman's decision is tantamount to a vote of no confidence in a project that has been viewed as a critical symbol of downtown Manhattan's redevelopment dreams.

And although the adjacent 7 World Financial Center is nearing completion, it still lacks a major tenant, so Goldman's decision figures to put more pressure on city and state officials to assuage those concerns.

When asked about Goldman's decision, Jennifer Falk, a spokeswoman for Mr. Bloomberg, said: "We appreciate their concerns. There are several complex issues that have taken longer to resolve than we would have liked. That said, we are working aggressively to address those concerns and are optimistic that we will be able to resolve them to Goldman Sachs's satisfaction."

Meanwhile, Lynn Rasic, a spokeswoman for Mr. Pataki, was more specific in alluding to the firm's concerns over the tunnel's location.

"We're confident that the analysis of the alternatives for West Street will conclude in the near future and allow Goldman Sachs to move forward with their plans," Ms. Rasic said.

The stakes are all the higher because Goldman's two-acre parcel, known formally as Site 26, is the last vacant commercial parcel at Battery Park City.

And it was not the first time that Mr. Paulson has expressed his views. In December 2003 he called Mr. Pataki and Mr. Bloomberg to say that the investment bank wanted to build its own tower, rather than move into the planned Freedom Tower as had been preferred by city and state officials.

So for the last year or so, Goldman has worked to develop the site, hiring the architecture firm of Pei Cobb Freed & Partners to design a tower that they promised would look markedly different from the four bulky, boxy office buildings at the World Financial Center. And in recent months, Goldman officials have indicated that they are ready to start construction on the building that would consolidate its trading and sales operations, now spread over 10 offices in Lower Manhattan, into one signature tower by 2008.

But for the last few weeks, speculation has percolated that disagreement over the tunnel was threatening to torpedo the project. And secondary issues emerged as well, including what Goldman officials felt was the uncertainty surrounding the Freedom Tower and World Trade Center memorial, as well the overall security measures for the area.

As a result, Goldman set last Friday as a deadline for city and state officials to come up with a solution, according to a person familiar with the process. When nothing materialized, Goldman decided to suspend the plan.

Sheldon Silver, the Assembly speaker, blamed Mr. Pataki and Mr. Bloomberg for focusing too much on their plans for the West Side Stadium and not enough on the West Street tunnel conundrum.

"It's been a year since they've been playing with this tunnel, but there's a lack of coordination downtown," Mr. Silver said. "The reality is, you can't get the mayor or the governor to focus on downtown development, and the plans for 24 million square feet of commercial development on the West Side far outweighs the need to develop downtown."

But Mr. Rose, the Goldman spokesman, said that Mr. Silver's remarks were off the mark. "The governor and the mayor have been extraordinarily responsive to our concerns," he said.