

Millennium Tower: Boston's latest playground for the filthy rich

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Rising 685 feet above Boston's historic downtown, Millennium Tower is the third tallest skyscraper in the city, providing 442 condos of various sizes and a price range from \$895,000 for a one bedroom to penthouses starting at \$6,400,000. The tower is part of a luxury building boom that has seen the Boston Redevelopment Authority approve billions of dollars in construction projects.

While the price skyrockets for a penthouse, so does the number of homeless people in Boston. Any night of the week, within steps of the shiny glass tower, there are dozens of homeless people in doorways along Washington Street. According to the Boston Public Health Commission, which conducts a count each January, the number of homeless men, women and children in Boston was 7,663, representing a 5.6 percent increase from the previous year. The number of homeless families increased 25 percent, with a total of 1,543 families, including 4,281 men, women and children.

This is a world apart from the one inhabited by the residents of Millennium Tower. A 13,000-square-foot unit atop the 60-story tower was listed at \$37.5 million and sold to investment fund manager John Grayken for a reported \$33 million.

According to the marketing web site for the property, in addition to the 24-hour concierge, security and valet service, residents can pass by their uniformed daytime doorman and porter to enjoy the fully equipped fitness facility or the indoor swimming pool and spa with massage rooms. The building includes a private cinema screening room, library and billiards room and a playroom for the children of Boston's wealthiest new residents. The building also has a resident-only restaurant "featuring world renowned dedicated chef" as well as a lounge with bar and food service.

The tower stands on the former site of Filene's Department Store, built in 1912. The original store was situated on the corner of Washington and Summer streets and in 1929 expanded on the block of Washington, Summer, Hawley and Franklin streets. The flagship store closed in 2006 and was purchased the following year by New York-based Vornado Realty Trust. Vornado said it planned a development of the prime spot at 246 Washington Street, but this was put on hold the following year after the collapse of Lehman Brothers in September 2008. Vornado claimed development was stalled due to the unstable financial economic situation and the site stood empty with a gaping hole in the ground for the next four years.

In March 2010, Vornado's chairman Steven Roth spoke publicly about how he had left the site of the current Bloomberg LP building in Manhattan empty for years to entice construction incentives from the government. "Why did I do nothing? Because I was thinking in my own awkward way, that the more the building was a blight, the more the governments would want this to be redeveloped: the more help they would give us when the time came. And they did."

When the *New York Times* picked up the story, it prompted a public letter to Roth from Boston Mayor Thomas Menino, who instructed the Redevelopment Authority to look into seizing the site through eminent domain. In early 2012 Vornado sold the site to Millennium Partners, also based in Manhattan. Millennium built the Ritz-Carlton in 2001, which delivered hotel service to condos selling in the \$1,000 or more per square foot price range. In 2012 the company built another building in the same Downtown Crossing area, holding 256 units, also with prices above \$1,000 per square foot.

While the majority of Massachusetts millionaires still

reside in suburbs such as Wellesley or Sudbury, increasing numbers are attracted to the high-rise luxury condo living exemplified by the Millennium Tower.

The social type that the Millennium Tower caters to is personified by the owner of its most expensive unit, John Grayken, who was dubbed one of the “robber barons of the new millennium” by *Forbes* magazine. Grayken made the bulk of his money as a practitioner of “distressed investing”. A *Forbes* article from June 2016, titled “The Billionaire Banker in the shadows,” provides a none-too-flattering profile of Grayken as he made his way onto the *Forbes* billionaires list with a net worth of \$6.3 billion. The article begins by describing practitioners of “distressed investing” as “bottom-fishers with steel constitutions and a penchant for rushing into fires.”

According to *Forbes*, Grayken is the second-wealthiest private equity manager in the world. His Dallas, Texas-based Lone Star company manages some \$64 billion in funds. According to the *Boston Globe*, “Two of Lone Star’s funds purchased discounted and delinquent housing bust-era mortgages from government-sponsored entities like Fannie Mae, or from the U.S. government itself. These mortgages and others have been serviced by Lone Star’s subprime servicer, Caliber Home Loans, which the National Housing Resource Center has ranked as the nation’s lowest-rated big servicer. Many of the loans have reportedly ended up in foreclosure.”

Grayken renounced his US citizenship in 1999 and became a citizen of Ireland to avoid US taxes. He cannot spend more than 120 days a year in the US without tax consequences. He will apparently be splitting his time between Boston and his \$70 million, 17,500-square-foot, nine bedroom house in London’s Chelsea district or perhaps his Swiss estate overlooking Lake Geneva. Grayken also owns a private island off the coast of Cohasset, Massachusetts.

It is not only the luxury buildings such as Millennium Tower that are out of reach for most Bostonians. In the last year the average price per square foot for all Boston condos has risen 5.5 percent. Prices range from \$651 per square foot to as high as \$3,106 per square foot for the prestigious Back Bay area of the city.

The increasing cost of rental properties has made Boston housing the most unaffordable in the U.S. outside of San Francisco or New York City. A January

2016 report from real estate data firm Reis Inc. stated that average monthly rent in Boston had topped \$2,000 for the first time. Average monthly apartment rental rose 5.7 percent to \$2,009, compared to a 4.6 percent increase across the U.S., where the average is \$1,180 per month.

The rise in average rents is fueled in part by an increase in salaries at the upper end of the scale, particularly in the technology and biotechnology industries. According to an index published by the Massachusetts High Technology Council, a trade group in Waltham, Massachusetts, the state ranks as the most difficult in the country to hire tech workers, along with Maryland and Virginia. Software developers right out of college can command starting salaries of up to \$90,000 and a 20 to 25 percent jump after two years is not uncommon.

The increase in salaries for specific jobs combines with a decrease for those at the bottom, resulting in Boston being declared the most unequal city in America in a Brookings Institution report of January 2016. Brookings found that an individual in the 95th percentile, making \$266,224 a year, earned nearly 19 times more than a person at the 20th percentile, making just \$14,925 a year.

A study in March this year showed nearly half of Boston residents make less than \$35,000 a year. When adjusted for inflation, incomes have not risen for these workers for three decades. Around 40 percent of jobs in the city require at least a bachelor’s degree compared to less than 27 percent nationally. Jobs without a degree requirement are mostly in low-paying sectors such as hospitality and food service. Many of these jobs are also temporary and part-time, forcing workers to string together multiple jobs to get by.

While 12.7 percent of people living in Boston earn \$100,000 or more, there are 20.8 percent who don’t even make \$10,000.



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