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Related's Rail Yards Triumph: The Backstory

By Eliot Brown

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The storyline behind Related's surprise win in the West Side rail yards bidding goes, more or less, as follows, according to a Monday afternoon press conference with M.T.A. officials and Related Chairman Stephen Ross:

Back in the late winter, when a round of bids was due to the M.T.A., executives at News Corp. gave Related Companies a call within 24 hours of the bid deadline, announcing that the company would not commit to becoming an anchor tenant in Related's bid as it had previously indicated. With little time to think before its bid was due, and at a time when Bear Stearns was collapsing, Related backed out of its full bid, hoping to hang on to a partial deal for the western half of the rail yards.

"Our mindset was that we had a tenant," Mr. Ross said. "We had banked our plans with News Corp. being part of that, and the next day our bid was due, so it was kind of hard to put a bid in when we didn't have News Corp. ... and we didn't know how our investors would react to it."

Mr. Ross said he came to regret the decision to back off, as did his investors, and when the M.T.A.'s deal with Tishman Speyer collapsed earlier this month Mr. Ross said he saw an unexpected second chance.

"When we had the opportunity the second time, we didn't waste any time," Mr. Ross said. "We jumped on it, and it's something that is too good to be true."

M.T.A. officials said all the remaining firms - Extell Development Corp., the Related Companies and a team of Durst Organization and Vornado Realty Trust - came back immediately to express continued interest, though Related proved the most aggressive.

James Hamilton



Related CEO Stephen Ross

“All three of the remaining proposers reached out to us—it’s probably like a nanosecond-instantaneously,” said M.T.A. CFO Gary Dellaverson. “The Steve Ross fellow from Related, was incredibly tenacious, as was the president of the company, Jeff Blau, in their approach to this, making it absolutely clear how interested they were in advancing the discussions.”

The winning strategy seemed to be Related’s willingness to execute the same financial deal that Tishman Speyer offered, save one notable change: Related has an opportunity for an extra two years before it starts paying rent on the property, though if the company backs out during that time, it would be in default, owing back tens of millions in penalties and other fees. Tishman Speyer was pushing for extra time itself, though the company wanted an extra 18 months before it would close on the land—giving itself plenty of extra time to back out with effectively no penalty.

Related, with partner Goldman Sachs, has now signed the conditional letter of designation, according to M.T.A. spokesman Jeremy Soffin, an act that Tishman Speyer put off for six weeks before backing out.