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JANUARY 7, 2013

Westward Whoa!

MANHATTAN MAKEOVER KING
STEPHEN ROSS BRINGING HIS
OLD RAZZLE DAZZLE TO THE
WILD WEST SIDE

**It worked on Columbus
Circle, but 11th Avenue?**

By Roland Li



On a recent evening at the 92nd Street Y, Stephen Ross, chairman of the Related Companies, reflected on four decades of transformation—for the city, where he has built more apartments than almost any other developer of his generation, and also for himself. In September, Mr. Ross, 72, stepped down as the CEO of the once-humble affordable housing outfit he transformed into a luxury real estate behemoth.

Not that he's stepping aside. There he was a few weeks later, alongside Mayor Bloomberg and Council Speaker Christine Quinn on the formerly desolate Far West Side, breaking ground on the Hudson Yards project, a glass and steel city within a city that is actually larger, in terms of square footage, than downtown Portland or downtown Baltimore.

"What's good for the city is the first thing," Mr. Ross told the audience at the Y. "I think if you really take that into consideration, the opportunities open up."

Continued on page A9

Westward Whoa!

Continued from page A1

On stage, Mr. Ross wore a navy suit and pink tie and sat next to fellow real estate mogul William Mack of AREA Property Advisors, as *Businessweek* senior editor Diane Brady asked the two friends about their long careers. About a decade ago, Messrs. Ross and Mack teamed up to build the Time Warner Center, the twin-towered behemoth that rose on Columbus Circle in the wake of the Sept. 11, 2001 attacks, an unwitting glass echo of what had been lost. Before the project began to rise, doubts were widespread, but Mr. Ross recognized a unique combination of location, transportation and public support that has become the hallmark of his success.

Even before the attacks, the city had been "muddling along," as Mr. Ross put it, but he could never forget gazing at the site, home to Robert Moses's loathsome Coliseum, from his old office on the other side of the park, at 59th Street and Madison. The opportunity, with the park and subway, at the axis of Midtown and uptown, was undeniable. "The location was superb," Mr. Ross said. "I looked at it as the best site in the city that had been undeveloped. I really thought it deserved a world-class project."

From his revival of Union Square to his partnerships with Equinox and Danny Meyer, everything has been preparing Mr. Ross and the Related Companies for creating the 26-acre, \$12 billion Hudson Yards, the city's 21st-century Rockefeller Center. The best views, the best services, the best address. "Everyone sees the potential now," Mr. Ross boasted at the Y.

Related's rise has been entwined with the rebirth of New York from a bankrupt dystopia into a glittering place of wealth. The evolution has undeniably improved safety and heightened public investment, but it has also perpetuated a view, held by some New Yorkers, that the city is losing its character and diversity to a wave of glassy boxes. While no single developer is responsible for this gentrification, Related's trophy towers have strongly correlated with the luxury surge.

And no developer has navigated City Hall with such success. Mr. Ross became friends with Dan Doctoroff, the former deputy mayor for economic development in the Bloomberg administration, when the two were part of a group that bought the New York Islanders in 1997. Critics argued that their relationship gave Related an inside track on development bids, but others credited the company's appetite for complexity and a willingness to take on daunting projects.

"He understands what's needed on the city's side," said Steve Spinola, president of the Real Estate Board of New York, where Mr. Ross was chairman for two years. "He's in it for the long haul."

SUCCESS HAS ENRICHED Mr. Ross, whose net worth is an estimated \$3.1



A rendering of the Hudson Yards development.

billion, according to *Forbes*. He owns the Miami Dolphins and though a registered Democrat, became a champion of Mitt Romney in the recent presidential campaign, donating over \$100,000. And yet Related originated from disappointment. After graduating from law school and working as a tax attorney in his native Michigan in the 1960s, Mr. Ross arrived in New York to work at the now-defunct investment bank Bear Stearns. "I was working for a Wall Street firm, and I got fired for the wrong reasons," he said at the 92nd Street Y. "The person I was working for didn't really realize my capabilities."

But as Mr. Ross noted in a 2009 graduation address at Michigan University's School of Business, which bears his name after a \$100 million donation, "Bear Stearns is gone. Steve Ross is still here."

Mr. Ross wanted his business to be sustainable, without relying on boom and bust cycles, so he focused on affordable rental housing. His first projects were small apartment complexes financed by the U.S. Department of Housing and Urban Development (HUD) in Wasaka, R.I., and Middletown, N.Y. He then closed in on New York, building in Rockland and Westchester Counties and southern Connecticut.

Mr. Ross eventually entered Manhattan with an affordable housing project in 1976, and his big break came when he won a bid in 1980 for River Walk, a development site just north of Manhattan's Stuyvesant Town.

Related won the rights to build some 1,800 apartments, a hotel and ample retail (a formula the company would replicate again and again), but the biggest prize was having the Related name run on the front page of *The New York Times*. This immediately led to more deals, in Battery Park City and on the Upper East Side. And thus his conquest of Manhattan began. "It was first survival and concentrating on a company, then it was a question of diversifying," Mr. Ross said. "I knew I didn't want to stay in affordable housing forever."

IN THE EARLY 1990S, Manhattan's

Union Square was nicknamed "Needle Park." "It was really dangerous back then," said Robert K. Futterman, chairman and CEO of Robert K. Futterman & Associates, a top retail brokerage that has worked with Related on numerous projects. "Though it was a great transportation hub, it didn't have great retail."

The district's historic buildings had begun giving way to newcomers, starting with Zuckendorf Towers, built in 1987 after the demolition of the Union Square Hotel. But Mr. Ross first focused on old buildings, partnering with Starwood Hotels and Resorts to convert a historic Beaux Arts building on the northeastern side of the park into the W Hotel. Related also owns the historic building on the north side now occupied by the massive Barnes & Noble, one of the bookseller's top outlets.

Related's biggest mark was 1 Union Square South, completed in 1993, which sits at the terminus of Park Avenue South and looms over the park. "It was a very important site as a focal point," Mr. Ross said. Related has been lauded for the aesthetics of some of its projects, but not this one. A blank wall spans an entire city block, and it isn't helped by the swirling digital clock Related commissioned to liven up the facade.

"The south side of Union Square has been trashed, from an architectural point of view," said Simeon Bankoff, executive director of the Historic Districts Council.

Aesthetic questions aside, the building has been a financial coup. Monthly apartment rents now go as high as \$17,000, and dozens of condos have sprung up around the park in the past decade as a result. "It was really one of the first urban power centers," said Mr. Futterman.

AS 1 UNION SQUARE SOUTH was rising, Related was bidding for what would become the Time Warner Center.

For two decades, Mort Zuckerman's Boston Properties had tried and failed to make something of Robert Moses's unloved old Coliseum. When his deal fell apart, the Giuliani administra-

tion put it out to bid. Mr. Ross quickly mobilized. He would give Jazz at Lincoln Center a prime view overlooking Central Park and rope in Richard Parsons, the Time Warner CEO, as the anchor tenant in the office portion of the tower.

"He'd been in 75 Rock for 35 years with no issues," Mr. Ross recalled, referring to Time Warner's old headquarters at Rockefeller Center. "I told him, 'This isn't about space, this is about showcasing your company. Nobody knows who you are; they think you're a part of NBC.' That struck a nerve."

He also lured the Mandarin Oriental hotel chain and a clutch of Fifth Avenue brands, like Hugo Boss and Cole Haan, for a "vertical mall" in the base of the tower. A popular model in Chicago, such retail spaces have always struggled in New York, where storefronts are believed to be king.

In the end, Related beat out the likes of Tishman Speyer, Bruce Ratner and Donald Trump. Though the development seemed expensive at the time, costing \$410 million for the site and \$1.7 billion to build, it has paid off handsomely. "We stole it," said Mr. Ross. "It's become a destination point," said Rosemary Scanlon, dean of New York University's Schack Institute of Real Estate. "There's a lot of vision there, as well as courage."

Paul Goldberger initially panned the structure in *The New Yorker*, calling the towers "banal." Nevertheless, he commends the developer for the architectural diversity of its portfolio. "I think Related has been very good at bringing a range of serious archi-

ture ideas into the mainstream," he said. "They know that the market today won't accept junk."

HUDSON YARDS is its own city, and not a small one at that. The shortest towers will be 75 stories high, and designed by some of the world's best architects. The tallest will surpass the Empire State Building, with a higher observation deck. Hudson Yards will have its own cultural center and a mall twice the size of Time Warner Center, and nearly half the 26-acre site spanning eight city blocks will be given over to public open space. It will be as if someone has taken a massive swath of Midtown, perfected it, and dropped it on top of the once-desolate Far West Side. And it will only cost \$12 billion and a dozen years to build.

The project reflects Related's growing influence in City Hall. Three years ago, in a rare defeat, Related's plan to convert the Kingsbridge Armory in the Bronx into a massive shopping mall was rejected by the City Council because Mr. Ross refused to agree to require that retailers there pay a living wage. Mr. Ross walked rather than back down. This year, Hudson Yards was exempted from a citywide living wage bill, which some critics claim was the result of a \$34,000 donation to Ms. Quinn's mayoral war chest.

Already, the area is filling in around him, with luxury buildings popping up in the once-unthinkable wasteland of 10th and 11th Avenues in the 40s and 50s. "Already, we're getting our best rents in Chelsea," Mr. Ross said. For proof, look to the nearby MIMA tower, in which TIAA-CREF just paid \$551 million for a 70 percent stake, and where the top floor units rent in the \$10,000 to \$25,000 range. The tower is almost fully leased. It has a doggie spa, and it is at 42nd and 10th.

The case could of course be made that by burnishing all these outlying areas, Mr. Ross is leaving the city overpolished. Not only has he shifted from affordable to luxury housing, he's fighting living wages for the working class while creating apartments that sell on average for more than a million dollars, and frequently tens of millions. If any developer represents the go-go highs of the Bloomberg era, it is Stephen Ross, even if his approach often leaves the average New Yorker on the sidelines, gazing up at glass peaks.

In 2017, Related plans to move its corporate headquarters from the Time Warner Center to Hudson Yards. And Mr. Ross will trade his Time Warner penthouse, with its Central Park view, for a fresh perspective atop what he calls the new heart of New York.

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