

Seeking to Capture the Heart of New York

Opinions may differ on where the heart of New York is, but two developers have set out to make a 26-acre site on Manhattan's West Side a serious contender for the title. The developers, Related Cos. and Oxford Properties Group, have big plans for Hudson Yards, a \$15-billion, mixed-use development that will be built on a platform over the Metropolitan Transportation Authority's (MTA) Eastern and Western rail yards. The project, which will span 10 to 12 years, is the largest undeveloped property in Manhattan and the largest private development in New York City since Rockefeller Center.

"Some people consider Rockefeller Center the heart of New York or midtown," says Jay Cross, president of Related Hudson Yards, which is leading Related's development efforts. "But there is enough scale to the [13-million-sq-ft project] that we can really shift the heart of New York."

With the No. 7 Line extension now under way, which will bring subway service close to the area, and a link to the High Line, an elevated freight rail line that has been converted into a park, Hudson Yards provides "a broad palette to build a new community," Cross says.

The project is bordered by 30th and 33rd streets and 10th and 12th avenues. It will include five towers, the first of which, the South tower, broke ground last December and is the only one that will sit solely on land instead of the platform; a luxury hotel; a new public school; a nonprofit cultural facility; and 14 acres of open space. That translates into more than 6 million sq ft of commercial space; about 861,000 sq ft of retail space; and about 5,000 residences. The project is expected to provide 23,000 construction jobs.

The considerable scope of this project and the developers' efforts toward sustainability, safety and minority- and women-owned business enterprise (MWBE) involvement contributed to the decision by ENR's regional editors to name the Related-Oxford joint venture team as ENR New York's 2013 Owner of the Year.

The project will provide a catalyst for growth in New York, industry professionals say. "The development of Manhattan's West side is something that has needed to take place for a long time," says Denise Richardson, managing director of the General Contractors Association of New York. "It will open up the job market and bring people to the area."

But for New York-based Related, which first became involved in the project in 2008 as

the nation's financial crisis was heating up, it took a long time to get to this point. Related stepped in at that time with its then-JV partner, investment bank Goldman Sachs, to replace Tishman Speyer when negotiations between Tishman Speyer and the MTA, which owns the rail yards, fell apart. In a deal valued at \$1 billion, MTA is leasing the land over the rail yards to Related for 99 years.

In February 2010, however, the investment bank dropped out of the deal and Related began searching for new investors. By May of that same year, Related announced a deal with Toronto-based Oxford, which invests in and manages real estate assets for one of Canada's largest public pension funds.

"We are fundamental believers in the real estate of Manhattan," says Blake Hutcheson, Oxford CEO. He says that Oxford was confident in the Hudson Yards investment because of its belief in the city and because it has long admired Related. He adds that at any given time Oxford underwrites at least \$1 billion in investments in the New York region, with the Hudson Yards project representing its largest.

The JV is seeking to establish a new "right-out-of-the-box" neighborhood, Cross says. "People want something that has a sense of completion about it." To achieve this, the JV aims to have the four towers on the Eastern Rail Yard portion of the site under way by 2014, targeting completion of this portion in 2018. Cross says that each of these towers will have a different use—one commercial office; one commercial office-retail; one office-retail-residential; and one luxury residential—so that they will not compete with each other in the marketplace.

The Eastern Rail Yard consists of the Kohn Pedersen Fox Associates-designed South and North towers, the latter of which is expected to break ground this year; the David M. Childs and Skidmore, Owings & Merrill-designed E tower; the Diller Scofidio + Renfro and Rockwell Group-designed culture tower, both of which are scheduled to break ground in 2014; the Elkus Manfredi Architects-designed retail space; and the Diller Scofidio + Renfro and Rockwell Group-designed culture shed.

No startup dates have been set for the second phase of the project, the Western Rail Yard. This phase will include the West tower, the school and residential and retail space.

All buildings will aim for LEED-Gold certification. The project will also pursue LEED for Neighborhood Development certification with features including shared neighbor-

hood infrastructure and services; green roofs; and rainwater capture and reuse.

"We are aiming to create a LEED-designated neighborhood due to nearby transportation, open space, using floor-to-ceiling glass and by working with the High Line," Cross says. The entire complex is also being built to be as resilient as possible to protect against storms, blackouts and even potential terrorist attacks, he adds.

Besides sustainability, safety is also a priority, says Jorge Casado, a spokesman at Tutor Perini, Sylmar, Calif., the Hudson Yards general contractor. The site's environmental, health and safety program includes full-time, onsite safety officers and weekly safety briefings, he says. Quarterly safety meetings are also held and consist of executive-level attendance from each of the subcontractors on site, their safety professionals, project managers and at least one trade-level foreman from each trade contractor.

Tutor Perini's MWBE participation is high, "even at this early stage in the game," Casado says. The first large subcontract for mass excavation, foundations and shoring was awarded to a WBE, he adds.

Heading up the 26-acre project is Hudson Yards Construction LLC, a Related -Tishman Construction Co. partnership managing construction and development.

Both Tishman and Tutor Perini have worked with Related before. For Tishman, projects have included New York City's 2012 Olympic bid and the MiMA building, says Jay Badame, president and COO of Tishman's New York region. Tutor Perini worked with the developer on the \$4-billion, 6-million-sq-ft Cosmopolitan Resort in Las Vegas.

At Hudson Yards, Tishman is working with Related as a non-equity partner, assisting with cost strategy to acquire the tenants needed to move the project forward, Badame says.

Some 80% of the space in the 1.7-million-sq-ft South tower has been committed so far, and the developers are in talks with four to five potential tenants for the North tower, Cross says. Once tenants are secured, work can begin on the platform and the North tower, he adds.

Tishman is also assisting in obtaining trades and on project labor agreements. It was, in fact, a year-long negotiation of labor agreements that contributed to a delay of the first tower's start date, although it is still on track for completion in 2015, Cross says. Other

contributors to the delay were rezoning of a portion of the project in 2009 and the fact that "as the project continued to be marketed, Related had to respond to the needs of tenants, leading to the constant evolution of design," Cross says.

Cross calls the project's progress in the last four years "remarkable." He says "a lot was done, but there was a lot to be done."

Industry professionals agree. "The joint venture should be given credit for seeing [the project] through and overcoming hurdles to get to a point where there are shovels in the ground," says Lou Coletti, president of the Building Trades Employers' Association, New York.

Cross admits that the project has had its skeptics from the start. "We're trying to prove those who think this project won't happen in their lifetime wrong," he says.