

Manhattan's last frontier tamed



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The Hudson Yards site

Stephen Ross is the man behind the largest private property project in US history. The 73-year-old developer had been on the hunt for something bigger after his Related Companies built the [Time Warner Center](#), the landmark glass and steel twin-tower development overlooking Manhattan's Central Park. "What do you do for an encore?" he chortles, at Related's headquarters within the complex.

When the opportunity arose to develop the barren [Hudson Yards](#) site on New York's far West Side, Mr Ross, now chairman of the company he founded more than 40 years ago, jumped at the chance. His \$20bn project now seeks to transform part of an industrial wasteland of rail yards, warehouses and car parks into a new city within a city.

Larger than Manhattan's Rockefeller Center office complex and more centrally located than London's Canary Wharf, Mr Ross believes the location of his almost 30 acres of planned offices, shops, apartments, hotels and cultural space will be the new heart of New York City.

“We saw the size and scope of what you could do there [and] we loved that opportunity, as land in New York is very scarce,” says Mr Ross, whose company is leading the 17-structure development with Canadian investor Oxford Property Group. “We felt confident in our ability to do something very complex and large.”

With chief executive Jeff Blau and president Bruce Beal, both of whom joined in the 1990s, Mr Ross has created a \$15bn property portfolio stretching from Los Angeles to Abu Dhabi and Shanghai. But New York, which Mr Ross views as a stage for the rest of the world, is where he wants to truly leave his mark.

At Hudson Yards, Related is working to create a “smart city” in collaboration with New York University. Technology will be deployed to measure data, from shopper traffic to air purity, to create a better place to live, work and play.

The son of an inventor, Mr Ross grew up in Detroit and Miami before returning to Michigan for higher education. Today, with a \$6bn fortune, he has donated more than \$300m to the University of Michigan.

After practising law for a few years, he took a Wall Street job at Bear Stearns in 1970 but pertinacity set him at loggerheads with a partner and he was fired. “I was 30 years old [and] the prospect of going out and trying to convince someone to hire me, in the position I was in, didn’t appeal,” says Mr Ross, who decided to work for himself. He formed Related and raised its profile in a sector dominated by New York property families.

December marks one year since construction began on the Hudson Yards project. Even with a decade’s work remaining, this is an achievement.

Mayor Michael Bloomberg initially proposed in the early 2000s that Hudson Yards should be the location for the 2012 Olympics. Wrangling with state politicians over the creation of a congestion-inducing stadium and London’s subsequent selection meant alternative uses had to be found. But Mr Bloomberg had already pushed through the necessary rezoning to develop the “one last frontier available in Manhattan”, making way for Related’s selection in 2008.

The company agreed to pay the state \$1bn for the site just as the property sector slid into turmoil, office demand collapsed and credit dried up. Combined with surging con-

struction costs and mounting bureaucracy, this was a tough scenario to navigate even in the best of times.

Related negotiated considerable tax breaks to ease some of the pressure and developed alternative revenue streams by creating a fund management business, soliciting debt financing from non-bank lenders and [equity from foreign financial institutions](#) keen to plant a stake in New York.

If successful, the project will be the crowning achievement of Mr Ross's career. It would also be a triumph for Mr Bloomberg, who took office in 2002 striving to open up areas of the city for development, even as he battled criticism that the gentrification that took place throughout his tenure had increased income disparity between New Yorkers.

As we discuss Mr Ross's pugnacious management style and aptitude at swinging difficult transactions his phone rings. The interview is taking place at a tumultuous time for the Miami Dolphins football team, which he acquired in 2009. The usually impetuous Mr Ross takes on a more sombre tone when discussing allegations of bullying and racial discrimination among players.

"We didn't bury our head in the sand, we didn't make excuses. We're getting all the facts," says Mr Ross, who has been criticised for staying away from the spotlight as the scandal played out. "The phone call I got there [is evidence that] I'm dealing with it head on."

The savviness and belligerence that allowed Mr Ross to succeed in the property world has not yet helped him as a National Football League owner. His "best in class" ethos has yet to reach Miami either. Since Mr Ross took control, the Dolphins have not had a winning record, coaches and quarterbacks have come and gone, and season ticket sales stand at a 30-year low.

Fortunately for Mr Ross, in New York, forces have coalesced to give the Hudson Yards project upward momentum. The Manhattan property market has rebounded and Related has lured retailer Coach, beauty company L'Oréal and software maker SAP as office tenants, as well as media group Time Warner.

As cost-wary banks – traditional drivers of office development – cut back on space

needs, Mr Ross stresses the role of media, technology and fashion in the city's economic growth. "The future of New York City is not financial services," he says.

But the project, which was expected to produce \$283m in revenue from taxes and other development fees for the city by the end of 2012, generated only \$170m because of delays. The city paid the price, making up the funding gap for infrastructure upgrades. Naysayers argue that this money could have met more pressing needs.

But Mr Ross is confident. "I don't look for the last dollar," he says. The company seeks profits from the housing and retail segments of the development, while it offers office space at cost to coax tenants to the West Side. "You need to make sure you're not compromising what you're trying to accomplish."

Some industry watchers, such as Mitchell Moss, professor of urban policy and planning at New York University, agree with him, saying that "land development at this scale takes time". Others are more wary. Stephen Smith, at Next City a not-for-profit body, believes the broader site is [too office-focused](#).

Those optimistic about Hudson Yards believe it will make New York more competitive with London, Hong Kong and other cities that brim with younger office and residential spaces. Mr Ross knows the stakes are high. "Your reputation is the most important thing you have," he says.