

New York's Hudson Yards Starts Next Phase as Deck Begins

Hudson Yards, the \$20 billion Related Cos. development on **Manhattan**'s far west side, is taking a key step forward as work begins on a platform over the area's rail depot designed to support three skyscrapers.

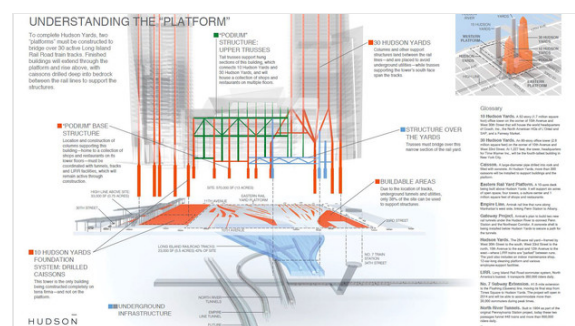
Related completed an agreement this week to finance the deck, including a \$250 million loan from **Deutsche Bank AG (DBK)**, according to a person with knowledge of the negotiations, who asked not to be named because the deal isn't public. Building the 37,000-ton platform enables the start of almost 6 million square feet (560,000 square meters) of construction on the eastern half of the 26-acre (11-hectare) yards, said Stephen Ross, the New York-based developer's chairman and founder.

"The whole eastern yards will be under construction this year," Ross, who declined to comment on the specifics of the financing, said in a telephone interview. "We've been talking to investors. We have global partners, both domestically and internationally. The interest in this job has been unbelievable. We feel very, very confident."

Hudson Yards, at a planned 17 million square feet, is the biggest private real estate development in U.S. history, according to Related. The company is seeking to transform a largely industrial section between 30th and 34th streets into a business center and residential enclave. The project requires building a platform over where 30 railroad tracks converge into four in an area west of 10th Avenue that feeds trains into and out of Pennsylvania Station.

Financing Deal

In addition to the Deutsche Bank loan, the \$700 million deck is being financed with equity from Related and its partner in the project, Toronto-based Oxford Properties Group; **Time Warner Inc. (TWX)**, its lead occupant; plus funding from the U.S. government's EB-5 program, according to the person with knowledge of the arrangement. That program allows immigrants to live in the country if they fund a job-creating investment.



Source: Related Companies via Bloomberg

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Oksana Poltavets, a Deutsche Bank spokeswoman, declined to comment on the loan. **Keith Coccozza**, a spokesman for Time Warner, confirmed the company's participation in the financing in an e-mail. A call made after business hours yesterday to Claire McIntyre, an Oxford spokeswoman, wasn't returned.

The drilling of more than 250 caissons -- concrete-filled footings hammered into the bedrock below the yards -- starts this week. They will support a platform strong enough to hold up skyscrapers while leaving clearance for the trains to move as they have since the early 1980s, when the yard was built.

Grand Central

The undertaking is comparable to the deck the **New York** Central Railroad built over its tracks north of the original Grand Central Terminal in the early 20th Century, said Robert A.M. Stern, dean of the Yale School of Architecture, and co-author of a series of reference books on New York's development history.

"The principle that you can take this blighting yard, and make it more or less go away, is fantastic," said Stern, who designed an apartment house for Related that's nearing completion just south of the yards. "It seems every hundred years or so we are able to grow the city without disrupting anything and improve the environment."

The project is the biggest bet on New York yet by Related, which was formed by Ross in 1972 and developed buildings including the Time Warner Center. Ross, 73, has a net worth of about \$5.3 billion, according to the Bloomberg Billionaires Index, and is also the owner of the **Miami Dolphins**.

Offices, Retail

By the end of 2018, if all goes according to plan, the eastern yards site will boast 4.3 million square feet of **offices** in four towers; a 1 million-square-foot retail complex; a 1.1 million-square-foot building that will combine stores, apartments and a hotel; and a 960,000-square-foot residential property. It will also include a public square built around a monumental



Photographer: Spencer Platt/Getty Images

Construction continues at the Hudson Yards Redevelopment Project, which is developing...
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sculpture designed by British artist Thomas Heatherwick, and a multipurpose venue with gallery and performance space designed to host events such as New York Fashion Week, called the “culture shed.”

Two more skyscrapers, totaling 3.6 million square feet of offices, are slated to go up on the block just north of the yards, which will be integrated into the development.

The challenge of building such a large-scale project years in development will be overseeing it through the economic cycles that may affect office, retail and residential demand before the buildings are completed, said Christopher Jones, vice president of research for the **Regional Plan Association**, a New York-based urban planning organization.

Fingers Crossed

“Any time you have a project of this size and this complexity, you really are keeping your fingers crossed that the business cycle is going to help you,” Jones said. “Right now it looks like the New York City economy is doing pretty well. There’s not a national recession on the horizon, that most people are predicting at the moment, but that can always change.”

The first eastern yards skyscraper, a 1.7 million-square-foot tower known as 10 Hudson Yards, is already more than 100 feet (30 meters) above the sidewalk, on its way to 895 feet. The 52-story building, currently about 85 percent leased, will house the headquarters of luxury-goods maker **Coach Inc. (COH)**, as well as offices of L’Oreal USA and SAP AG.

That building had the advantage of being built on solid ground just south of the network of converging rails, in an area known as the “throat.” Those tracks connect by tunnel to **Penn Station**, the busiest U.S. commuter rail hub. The yard is a staging area for the Long Island Rail Road and is owned by New York’s **Metropolitan Transportation Authority**, which agreed to lease the site to Related and its partners for \$1.05 billion in 2008.

Train Riders

The MTA is “enormously gratified by the progress they are making,” Aaron Donovan, a spokesman, said in an e-mail. He said it expects the platform project to have “minimal to no” impact on Long Island Railroad commuters and train schedules. Related has paid the railroad \$10 million to prepare the Long Island yard near the former Shea Stadium site in Queens to

store displaced trains, the company said.

The tallest of the 16 buildings planned for the entire 28-acre site is the 1,227-foot 30 Hudson Yards, almost half of which will be occupied by Time Warner for its headquarters. It will go almost directly over the throat of the yards.

Because of the importance of the spot to rail operations, and the need to avoid utility lines below, no footings can be drilled at the throat, so it will be spanned by an elaborate web of steel trusses, with beams as heavy as two tons per square foot. It will take two cranes to lift them, said **James White**, a Related senior vice president and a 30-year construction veteran who's steering the building of the deck.

Transferring Weight

A system of 15 large-span trusses, which are reinforced horizontal beams, will be designed to transfer the weight of 30 Hudson Yards to caissons buried 60 to 80 feet into the schist on either side of the throat, White said.

He was recruited to Related from Brookfield Office Properties Inc., where he designed a deck that is now under construction over a rail trench just east of the yards for its 7 million-square-foot Manhattan West development. The two projects are in competition with one another for office and residential occupants.

The MTA requires that the rail yards remain operational during the entire two years it will take to complete the Hudson Yards deck. Limited track outages will be permitted, and the decking over of the throat area will be done entirely during 37 52-hour weekend outages of two of the four connecting tracks, said Ronald Wackrow, a Related executive vice president who is overseeing the engineering of the project.

52 Hours

"Our workweek for those 37 weekends will start late Friday night and go straight through to early Sunday morning," or 52 straight hours "of just continuous shift work," Wackrow said. After construction stops for the weekend, every piece of equipment must be removed so trains can operate Monday morning.

Amtrak is also in the process of building a tunnel across the yards to accommodate a

possible future expansion of service across the **Hudson River**. It will be completed in October, Wackrow said, just in time for the platform to go over it.

Revenue generated by Hudson Yards is supposed to help defray the cost of the improvements made to the area funded by taxpayers. Due to delays in the project's original time frame, the city has covered debt payments on the \$3 billion of bonds used mainly to build an extension of the No. 7 subway line, which will serve the site and other developments beyond, said Doug Turetsky, spokesman for New York's Independent Budget Office, a nonpartisan fiscal watchdog funded by the city.

Tax Breaks

Hudson Yards has received about \$510 million of property tax benefits, according to the city Industrial Development Agency.

James Parrott, chief economist of Fiscal Policy Institute, a nonprofit research organization that generally opposes public subsidies for private development, said it is "a very positive step that things have gotten this far."

The platform "brings closer the time when 'pilot' payments will be received by the city," he said, referring to payments in lieu of taxes which the development will generate once it starts producing revenue.

"You've got major companies with deep pockets doing this," said John McIlwain, a New York-based senior resident fellow at the Urban Land Institute in **Washington**. "There's no question anything of this size is a gamble, but it's a well-thought-out gamble."

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