

Related CEO Jeff Blau Has an Ambitious Project at Hudson Yards



Jeff T. Blau with a scale model of Hudson Yards (Photo: Arman Dzidzovic / Commercial Observer).

Related Companies Chief Executive Officer Jeff T. Blau is building a city—on a platform.

Mr. Blau is engulfed by the 18-million-square-foot Hudson Yards project—literally and figuratively. In a conference room on the 18th floor of the Time Warner Center (which Related opened back in 2004), Mr. Blau is surrounded by models, renderings and images of the massive project.

He points to one model: “This is our first rental building”—the Abington. “This is finished. We get our highest rents in New York City in this building.”

But one can’t help but notice that the building Mr. Blau is pointing at is the runt of the litter. Next to it are the models of the steel and glass towers that will reach the sky. (And

it's probably worth noting that the Abington, at 500 West 30th Street between 10th and 11th Avenues, is a great deal taller than any of its neighbors on the High Line.) Coach will start doing its build out at 10 Hudson Yards and move in next March.

Mr. Blau sat down with *Commercial Observer* last week to discuss the work Related is doing throughout the city, though many things come back to Hudson Yards. The firm had to rethink how to construct a development of this magnitude by building its own supply chain and cultivating steel from around the world. Mr. Blau expects that later this year Related will be developing 8.5 million square feet at once—more than any project in the nation's history.

The father of three, who turns 47 this week, also has his pet projects. He and a handful of investors purchased CitiBike last fall. When Mr. Blau talked with CO, he said he plans to double the bike program's fleet size, expand to other parts of the city and make the bikes more durable.

An Upper East Sider, Mr. Blau has his own plans to move into Hudson Yards when his children get older. (Even though asking prices aren't hammered out, he'll pay less there than he would at a high rise on 57th Street.)

In the two years since Mr. Blau succeeded Related's founder and his mentor, Stephen Ross, the CEO has overseen Hudson Yards, along with redevelopment at Willets Point and projects across the country. The company isn't just doing a major project on the Far West Side, but heading west with a slew of projects in California to meet a demand in Silicon Valley.

***Commercial Observer:* What goes into building pretty much a micro-city, on a platform, over a rail yard?**

Mr. Blau: A lot. We have clearly moved into execution mode now. This year we'll have 8.5 million square feet under construction at the same time. As well as doing all of this at the same time, the city's gotten very busy, so contractors have gotten very busy. There's a shortage of contractors, there's a shortage of materials. We're building a 175,000-square-foot manufacturing facility [in Pennsylvania] that's going to produce curtain wall for these buildings.

I really view it as: we're taking on more risk to manage risk, is what I like to say. We don't have a choice. We're buying steel from around the world as a commodity. So we're literally going and directly meeting with factory owners in Italy, China, Canada, wherever it might be, and buying commodity steel.

Do you think it will set a precedent where builders in the future start to follow that model?

It will be very difficult because you really need scale to be able to do this. It will give us a long-term competitive advantage because we were able to put all of that in place because of Hudson Yards. But we now use it throughout our system, not just in New York. We're delivering curtain wall in Chicago and all these things we're doing here, we export our best practices across the system.

I think that's ultimately going to make us a stronger company.

So when your kids are older and changing schools, or when they leave the nest, are you going to move to Hudson Yards?

[Yes.] We have one building that straddles the High Line. It's right on the waterfront. It's going to be a while before that one's done so it should all work out.

How were you able to convince Neiman Marcus to bring its first New York City location to Hudson Yards?

We met [Neiman Marcus CEO] Karen Katz because they were in a process about two years ago where their previous private equity owners were going to take the company public.

We were in the midst of searching for a new anchor for Hudson Yards and so we got involved in that process really to look at it, to see. I'm not sure we would ever go buy Neiman's but it was interesting to get in the process and see what it was all about and see if there was a way we could attract them to Hudson Yards. Then they were ultimately bought by Ares and the Canadian Pension Plan. When the deal closed we immediately started talking to Neiman's.



Jeff T. Blau is juggling Hudson Yards, Willets Point, CityBike and day-to-day operations at Related (Arman Dzidzovic/Commercial Observer).

She thought it was the last thing in the world they would do is open a Neiman's here in New York at Hudson Yards. After seeing the presentation and really hearing about our vision and what we were doing and the high quality nature of the development and the demographics, she really came around. The new private equity owners were very supportive and we were able to make a deal.

Moving to another project now. The auto bodies at Willets Point have dropped their case against redevelopment in the area. What's the next step forward now and what's Related's part in that?

We are 50-50 partners with the Wilpon family. Jeff [Wilpon] just left here actually. Basically there's two phases to this. The first phase is about a million square feet of retail located on basically the site where the Shea Stadium used to be—the parking lot. Before we do that, we're actually going to clean up the portion of the auto body sites that the city had purchased and we build enough parking spaces there to basically replace what the retail will replace in the future.

When that's done, we'll build a million feet of enclosed retail. And then phase two is a mix of every other [building type] that exists—basically office, retail, residential, affordable housing. I think there's some convention space.

One thing that [then Mayor Michael] Bloomberg wanted to do was clean this whole thing out. He got halfway there and I think they ran out of money or time—probably both. So then they put out an RFP, which was basically to build on the area that we call phase two. It's got some tough ground conditions. It's really all fill.

The ability for people to compete on that and actually create a new value was impossible. I had known [Mr. Wilpon] for a long time and I called him. I knew he was going to bid. I said, "That is not the smart solution here, 'cause you have all this land over here. And if we can convince the city to basically let us build over here, they'll get the same. Essentially we'll pay them for land that you already own. But we'll move the right to develop and just cap, at least in the short term, that site."

I think because of that we were able to win. So we're going through the process and getting all our approvals and I think we'll be able to do a million feet. It's a big deal.

“How do we leverage our real estate know-how, our health and wellness know-how and our operational capabilities? Citibike is the intersection of all those things.”

Do you have any potential tenants for that area yet?

Not really. It’s too far out. We gotta get through a few more approvals. Retailers are focused on when they can open next year, or maybe two years. So people really have to focus. It’s too early.

Are there any other Related projects right now that you’re particularly proud of, especially in your two years since you’ve been CEO?

We have the continuation of our day jobs, which is our

day-in and day-out rental buildings and condo buildings that we build in—New York, Chicago, L.A., San Francisco, Boston, Washington.

We also have a very large mixed-use development in Santa Clara, [in northern California]. Actually if you take Hudson Yards out of the equation, we have more going on in California than we have going on in New York.

REQX, an affiliate of Related, acquired CitiBike last fall. What are the plans for the future?

The idea was: we own Equinox and we own SoulCycle. We like to be very systematic about what we program in the buildings—not just throw amenities at the wall like everybody’s doing. The ability to create value on the real estate side with the clubs, and the ability to help Equinox grow its business with our real estate relationships was very symbiotic for us. We’ve got a great operating management team running the Equinox team. How do we leverage our real estate know-how, our health and wellness know-how, our operational capabilities into another type of private equity investment that fits with all the things that we do?

If you think about CitiBike, it is the intersection of all those things. It was a thing that was done on a shoestring with no capital and not much management capability.

We found a little group of us and made a deal with the owners of not just CitiBike but Alta Bike Share. We have operations in 12 different cities.

First we’re going to fix New York. We got [former Metropolitan Transportation Authority Chairman] Jay Walder. We wouldn’t have done this deal had we not had Jay, because

it needed a CEO. He was running the Hong Kong system. He wasn't even back yet. He was leaving. We talked to him, we interviewed him. He is a fanatic. He loves the concept of CitiBike. He thinks about it as the next transit hub. He doesn't think about it as a bike.

Has he taken any MTA tactics from when he was chair and applied them here?

There's a lot of management capability coming through that. He's going to look to connect up CitiBike to transit cards and things like that. That's all next generation.

The first thing is to get this thing fixed. We've hired a slew of new people at the management level. We've totally reconstructed the contract with the city when we came in. It's going to work now. This past weekend, they shut it down to upgrade the software so now the apps can tell you where the bikes are. We're going to do Brooklyn, more areas of Brooklyn, and then the Upper East Side, Upper West Side. There are no bikes up there.



Jeff T. Blau plans on overhauling CitiBike and expanding the bike share (Photo: Arman Dzidzovic/Commercial Observer).

Do you have one? Are you a member?

I am a member.

But you don't have a CitiBike station on the Upper East Side.

I don't have one, but I obviously signed up as part of this. It's a good little transaction. We're excited and we hope to expand it to other cities.

How did you get the real estate bug?

My dad was a contractor, a plumbing and heating contractor and a builder mainly throughout Queens. I used to work on the jobs. Construction every break and summers. I grew up with it. It was around the dinner table. It's what I always wanted to do. We used to drive around on the weekends with my dad and he'd be like, "We built that building, we built that building." They were all ugly, but it was a very rewarding thing. It's something you're very proud of.

It's one of the most rewarding careers you can have. I think the people that are most successful in this business really have that same passion for that. You don't come [into the real estate business] because you want to make a lot of money—I mean you could make a lot of money—but that's the by-product. It's not the first part.

Do you find yourself doing that, too, walking around saying, "I did that"?

Oh yeah. I go on Saturdays. I have a 6-year-old. He's been up to the top of the construction site [at Hudson Yards] on Saturdays like 10 times already. He's the only one [non-MTA] who's been on the train, down on the 7 line, down to the [34th Street—Hudson Yards] station.