

Sports Mogul Stephen Ross Gains Ground in Real Estate

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On the wall of Stephen Ross's Manhattan office is a painting he bought two years ago that reads: "I'm busy for the rest of my life."

That sums up the career plan of the self-made American real estate billionaire and professional sports magnate who turns 76 later this year.

"I have no interest in ever retiring," he says over bites of sushi at the Bay Street offices of investment firm Gluskin Sheff & Associates, where he has come to meet with the firm's co-founder Gerald Sheff, a long-time friend.

"He gives me grief for working so hard," Mr. Ross says of Mr. Sheff, who is the same age. "I give him grief for being retired."

Mr. Ross would likely be forgiven if he chose to step away from the reins of Related Cos., the private U.S. real estate development firm he founded in 1972.

While he relinquished the title of chief executive officer in 2012, he remains Related's chairman, where he is embarking on some of the most ambitious projects of his career.

Three years ago, Related broke ground on Hudson Yards, a massive mixed-use development on 28 acres (11.3 hectares) of Manhattan's far-west side that Related is building in partnership with Oxford Properties Group, the real estate arm of the Ontario Municipal Employees Retirement System.

Even in the outsized world of Manhattan real estate, Hudson Yards is a behemoth, encompassing more than 17 million square feet of office, retail and residential towers. What's more, the entire project will sit on top of two platforms that will be built over active city rail yards on the banks of the Hudson River, requiring the developer to drill 300 posts (known as caissons) as deep as 80 feet into the bedrock. The monumental undertaking is expected to cost \$25-billion (U.S.) and will likely take another nine years to complete.

While much of Mr. Ross's time these days is consumed by his real estate projects, including Hudson Yards, he arguably gets more press for his professional sports investments. He bought a 95-per-cent share in the Miami Dolphins National Football League team and its stadium, and is part of a consortium working to buy Formula One racing. Through Related's venture capital arm, RSE Ventures, Mr. Ross has

his hands in virtual reality broadcasting and drone racing.

Only weeks before our lunch, Mr. Ross had fired Dolphins head coach Joe Philbin and launched a non-profit aimed at using sports to help address racial inequality. (The latter move was largely in response to the Dolphins' 2013 racially charged locker-room harassment scandal, which the sports media dubbed Bullygate.)

“As much as I have a passion for sports, it’s a lot harder to be successful in sports than it is in business,” Mr. Ross says, abandoning the chopsticks that come with the catered meal in favour of his fingers. “It’s more fun to run a real estate company.”

He has been accused by local media in Miami of being an absentee owner, and it’s not an unfair criticism. While Mr. Ross went to high school in Miami and played football there, he has spent most of his adult life in New York and prefers to keep it that way.

“It’s great not living in a city where you own a football team,” he says. “You’re so self-identified wherever you go. It’s not what I want to be known for as my legacy.”



Mr. Ross grew up in Detroit, but it could have just as easily been Toronto. His father, David Ross, was a Canadian, related to the Rosbergs who ran an eponymous department store in Niagara Falls (making Mr. Ross a second cousin of the late CBC journalist Barbara Frum).

Mr. Ross’s father was an inventor who patented several of his ideas, including an early version of a coffee vending machine, but never found commercial success. Instead, Mr. Ross found inspiration from his uncle on his mother’s side, Max Fisher, a Detroit oilman and philanthropist, who was among America’s most influential Jewish leaders during the Cold War, advising several Republican presidents.

“I was always told about the success of a very powerful uncle,” he says. “I guess I tended to respect him and look up to him and later in life I became very close to with him. He was unique and different and very, very powerful.”

The family moved to Miami Beach when Mr. Ross was 14 so that his father could run a family-owned hotel, but Mr. Ross ultimately ended up back in Detroit during university, getting a business degree from the University of Michigan. (He has since donated more than \$300-million to the university, which renamed its business school after him.)

He went to law school and practised law in Detroit for two years. But, not content to build a career trading

on his relationship to an influential uncle, he headed for New York instead and ended up in investment banking, including a stint with now-defunct Wall Street firm Bear Stearns.

Mr. Ross learned quickly that he wasn't the corporate type. He launched Related in 1972 after being fired from Bear Stearns over an argument with a superior, starting the company with what money he had and forgoing a salary for years to get established.

Among his proudest achievements is the fact that Related, now among the largest developers in New York City, remains privately owned. It is also deeply vertically integrated, providing everything from the financing to the construction expertise in-house. For instance, when Related couldn't find a company to provide curtain walls – the façade that wraps around a high-rise building – for Hudson Yards, Mr. Ross built a curtain-wall factory in Pennsylvania.

While Mr. Ross is known for luxury real estate projects, he started Related as a company that focused on building low-cost rental housing.

Working as tax lawyer had exposed Mr. Ross to wealthy real estate clients and had also helped him identify a largely unexploited federal program that gave tax breaks to developers who built affordable housing.

Instead of using the tax credits himself, Mr. Ross packaged them up and sold them to syndicates of investors. In return, Mr. Ross received fees from investors and a steady stream of cash that he used to develop affordable housing developments.

“Back in those days, life was a little more simple, but affordable housing was a lot more complex,” he says. “So it really set the stage where I wasn't afraid of development as it became more complex.”

The company's status as a major developer of government-subsidized rental housing has helped it win some goodwill when pitching local governments on mixed-use luxury projects, many of which contain an element of affordable housing.

“Unfortunately, when you look and see economically, the rich have gotten richer and the poor have gotten poorer,” says Mr. Ross, whom Forbes estimates is worth \$6.8-billion. “Every city today is worried about affordable housing. It's the biggest issue there is.”

Mr. Ross got his first big break in market-rate housing in 1980, when Related won the bid to develop a mixed-use project called Riverwalk on the banks of Manhattan's East River. The project, in partnership with Canadian real estate developer Cadillac Fairview – now owned by the Ontario Teachers' Pension Plan – ultimately fell through. But it had landed Mr. Ross on the front page of The New York Times and helped him restructure his business to expand into larger luxury housing and commercial developments.

Until recently, his most high-profile project was the Time Warner Center overlooking Central Park, a luxury project that won Mr. Ross accolades from architectural critics and criticism that some of its wealthy international condo owners and tenants have ties to organized crime.

Hudson Yards is certain to overshadow the Time Warner Center in both ambition and media attention, a fact that is even more remarkable given that it very nearly didn't get off the ground.

The partnership with Oxford represents Related's third attempt to develop the project after two previous deals with News Corp. and Goldman Sachs fell apart in the aftermath of the global financial crisis.

In a familiar tale from the tight-knit world of Canadian real estate, Mr. Ross, who jokingly calls himself “partly Canadian,” tapped New York Jet's president Jay Cross, a one-time member of the Canadian Olympic sailing team, to head the Hudson Yards project. Mr. Cross happened to be a long-time friend of Oxford Property's CEO, Blake Hutcheson, who was looking to expand the pension fund's reach into New York.

The 2010 deal gave Oxford a 50-per-cent take in the Hudson Yards development in exchange for an initial \$75-million equity investment and an option to invest another \$400-million. It was signed before Related had even started to shop around for a partner, Mr. Ross said.

“They ended up with a great deal, but they were the first to raise their hand,” Mr. Ross says. “They’ve been a good partner.”

Mr. Ross speaks boldly of his vision for reshaping Manhattan’s far west side. As the site of New York’s first subway extension in 60 years and home to the High Line, a raised public park built on an old rail line that has become a popular tourist destination, it was an area where a range of unstoppable forces were coming together. “It was like the perfect storm occurring in New York. I saw where all the city and state money was being spent and it was all being spent in that area,” he says.

He promises the Hudson Yards will be the grandest redevelopment project Manhattan has seen since the Rockefeller Centre, with a \$200-million public square that will be larger than London’s Trafalgar Square or New York’s Bryant Park. The project’s centrepiece will be a sculpture designed by renowned British designer Thomas Heatherwick that Mr. Ross says “will become to New York what the Eiffel Tower is to Paris.” The design is a heavily guarded secret that Mr. Ross plans to unveil on U.S. Independence Day, July 4.

It’s a remarkable culmination of a career that began as a tax lawyer specializing in subsidized housing. “When you start out with nothing, you’re looking up,” Mr. Ross says. “But you’re not looking up that high.”

Background

Age: 75

Birthplace: Detroit

Family: Married to jewellery designer Kara Ross. Two daughters from a previous marriage and two step-daughters.

Education: Bachelor of arts/science from University of Michigan; law degree from Wayne State University in Michigan; master of law from New York University.

Philanthropy: In 2013, he signed up for the Giving Pledge, a movement founded by Warren Buffett and Bill and Melinda Gates to get the world’s billionaires to commit to donating at least half their wealth.

Favourite food: “I always say if the food’s any good, it’s good to be eaten with your fingers. My mother would kill me if she heard that.”

Why he likes being married to a jewellery designer: “When we met, I told her: ‘It’s great that you’re this jewellery designer and all that, but I hate jewellery.’ And she won’t wear anybody else’s. I said to her: ‘You spared me; I don’t have to go out and buy it for you.’”

Why he’s supporting Jeb Bush over Donald Trump: “I don’t think Donald has the experience to be president of the United States. But it’s a frustration in America, probably around the world today, with politicians. People are looking at the anti-politician. At the same time, when I see all these young kids, everybody is so enamoured with glamour. Donald Trump represents that. How did [Justin] Trudeau get elected? Don’t say we’re any different.”

On choosing Dan Campbell as the Miami Dolphins’ interim head coach: “He had never been a head coach before. He’s the youngest coach in the league. He’s doing a great job. He’s a real motivator and I think that’s what you really need in running a football team.”