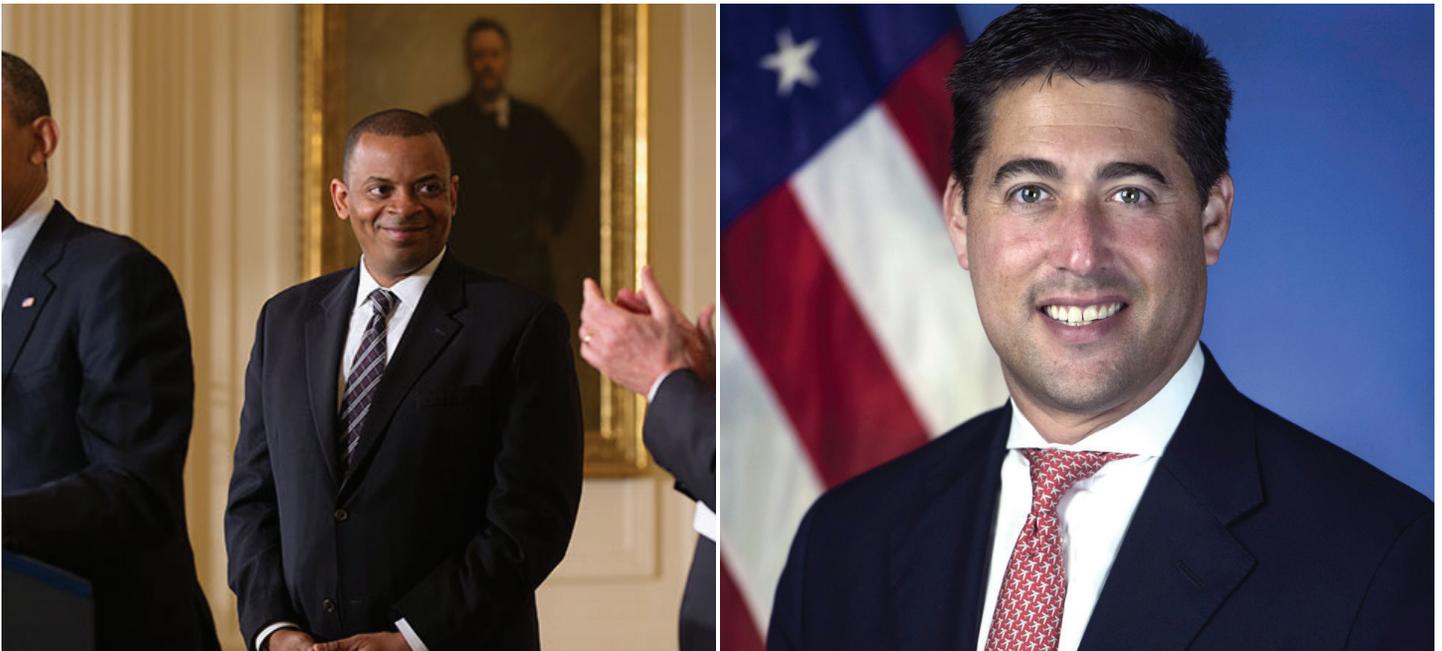


THE WALL STREET JOURNAL.

Related Cos. Taps Former Obama Officials for Infrastructure Fund

New business will buy stakes in firms that build and operate infrastructure

December 5, 2017 | By PETER GRANT



Related Cos., one of the largest real-estate developers in the U.S., has hired two former senior Transportation Department officials in the Obama administration to build an infrastructure business.

Anthony Foxx, the former Transportation Secretary, and Andrew Right, who helped create the department's Build America Bureau, through the venture will invest in businesses that develop and operate airports, ports, toll roads and other infrastructure. Related has hundreds of millions of dollars available to invest from the private-equity funds the firm has already raised, plus its own capital.

Messrs. Foxx and Right said in an interview that there is plenty of work available because of the enormous needs throughout the country for upgrading and building new infrastructure. The number of projects will increase even more if the Trump administration moves forward with its plan to spend as much as \$1 trillion on such work.

"We think the market is as big as the country is," Mr. Foxx said.

The new business, named Related Infrastructure, will be different from other infrastructure efforts by major financial businesses, they said. It won't invest capital to privatize and own stakes in core infrastructure such as roads, tunnels, airports and other projects.

Rather, Related Infrastructure will buy stakes in the construction companies, management firms and other businesses that build and operate infrastructure owned by other public and private sources.

“Our thesis was: Instead of doing the core play, we’ll focus more on the infrastructure servicers, managers and developers,” said Mr. Right, who also worked for the infrastructure investment group at Goldman Sachs & Co.

Related is known for major real-estate developments throughout the country. In New York, it is the lead developer of Hudson Yards, a 28-acre mixed use project on Manhattan’s West Side that has attracted such tenants as Time Warner Inc., KKR & Co. and BlackRock Inc. Related’s new business will tap into the firm’s expertise in retail, office and construction because infrastructure projects often include these components.

Related is launching the business at a time when there is widespread recognition that more infrastructure investment is needed. But it isn’t clear where the capital is going to come from.

The Trump administration hasn’t made much progress in pushing through its plan. State and local governments are strapped.

“Our state and local communities are much more constrained than the federal government,” Mr. Foxx said. “They can’t spend money they don’t have, which the federal government can do.”

Many projects are going ahead throughout the country as public-private partnerships. For example, terminal B at LaGuardia Airport in New York is being rebuilt by a consortium including construction company Skanska USA, architecture and engineering firm HOK and others under a long-term lease with the Port Authority of New York and New Jersey.

Messrs. Foxx and Right said they don’t think their ties to the former Obama administration will create any obstacles in Washington. They pointed out that improving infrastructure has bipartisan support.

“This segment only will get better if there’s a large infrastructure package [pushed through by the Trump administration], but it doesn’t depend on that,” Mr. Foxx said. “Even if things stay as they are there will be great opportunities.”