LEADERS & SUCCESS

Stephen Ross Builds Related Cos. Into Top Developer

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By SCOTT S. SMITH, FOR INVESTOR'S BUSINESS DAILY

In 1972, Stephen M. Ross borrowed $10,000 from his mother to invest in New York City real estate.

It worked out pretty well for him.

Last year, he was No. 83 on the Forbes 400 of wealthiest Americans, with an estimated net worth of $4.4 billion, and his Related Cos. is the nation's largest privately held real estate developer.

Stephen Ross grew up in Michigan, got a law degree, shifted to corporate finance at Bear Stearns, then found his calling: real estate.

"I surround myself with the brightest people possible by creating an environment where they can learn, grow and really be part of things," Ross, the executive chairman, told IBD.

Ross, 73, was born in Detroit, where his father was an inveterate inventor and the family struggled to make ends meet.

He did have one great family role model for business: his uncle Max Fisher, a financier and oilman who, when he died at 96 in 2005, was the oldest member on the Forbes 400 list of richest Americans.

"When you can see someone like that growing up, it gives you the confidence that with hard work things can be accomplished," Ross told Forbes.

After attending the University of Florida, Ross transferred to the University of Michigan, earning a bachelor's degree in accounting in 1962. Four decades later, he would donate $100 million to the Ann Arbor institution, which now houses the Stephen M. Ross School of Business.

Ross' Keys

- Founder and chairman of Related Cos., the top real estate developer in the U.S.
- Overcame: Depressed market for real estate.
- Lesson: Invest in quality at the market's bottom.
- "I want to be known as someone who made cities better and built a great company that does quality work."

On An Education Roll

In 1965 he received a law degree from Wayne State in Detroit, then picked up a tax-law sheepskin from New York University.

Trouble was, Ross didn't like being a tax attorney. He tried it in Detroit, switched to real estate law and ended up in corporate finance at Bear Stearns in New York. He was bored to death.

But he saw a niche for an entrepreneur without a lot to invest: affordable housing.

Government financing let him raise more money by creating tax shelters for wealthy investors. He left Bear Stearns and founded Related Cos. in 1972.

"Syndicating tax benefits distinguished us right from the beginning, allowing us to survive business cycles relying on more than development fees," he said. "This grew into our financial service sector."

Ross found he liked doing deals, and by 1980 he had built 5,000 apartment units.

"When you're young and idealistic, you'd like to make money doing something that benefits people," he said. Although an outspoken Republican, he maintains that business and government must team up to "provide safe and decent housing where the cost of shelter is high and some people can't afford it."

Ross' career lesson is to find an alternative way to earn income while you nurture your passion.

Over the next two decades, he ventured into other kinds of housing, then retail and offices.

In 1996, in Palm Beach, Fla., Ross built his first mixed-use project.

Stephen Ross' Related Cos. gave lift to New York's Time Warner Center, which houses stores, the Mandarin Oriental and the Jazz at Lincoln Center.... View Enlarged Image

He hit the big time two years later. Manhattan's Columbus Circle, on the border between Midtown and the Upper West Side, was slated for redevelopment. To be able to head it up, he had to bring in a major corporation as the marquee tenant. So he went after **Time Warner** (TWX).

He asked to meet with CEO Richard Parsons, who already had been pitched by eight other developers, but Ross reframed the opportunity: "This isn't about real estate; it's about showcasing your brand."

One day later, they had agreed in principle to what would become the $1.7 billion mixed-use Time Warner Center.

"One reason we were selected is that many developers played this urban renewal game, waiting for the area around the project to be built up first," said Ross. "But we had credibility for starting as soon as possible, and within one year construction had begun. We've now worked on close to 1,000 projects around the world because of that reputation."

When it opened in October 2003, Time Warner Center was the first major building completed after the 9/11 terror attacks.

Now 40,000 shoppers a day visit TWC's high-end retailers, helping the mall burgeon into one of the biggest moneymakers in the nation.

The Mandarin Oriental is in the building, as is the theater Jazz at Lincoln Center and CNN's studios.

Ross and his wife, Kara, live in an 8,300-square-foot condo at the top of one of the two 80-story towers, and he is president of the condo association.

"Time Warner Center certainly transformed the whole West Side, and it's a great feeling as a developer to have that kind of impact," he said.

Ross' lesson is to establish a reputation for being a doer.

His Related Cos. has developed projects valued at $22 billion at the time of completion and has over $20 billion in the pipeline, with $15 billion in assets. It is diversified and integrated, handling everything from management to marketing, with major projects from Shanghai to Riyadh.

Its distressed assets fund has snapped up properties with half of its $825 million. Ross owns 60% of the company. A team of 2,000 professionals is managed by Jeff Blau, who took over as CEO last year.

Looking Up

These days, Ross is in the middle of the biggest building project in New York City history, with an estimated $12 billion price tag over the next 10 years. He's aiming to transform the last vacant part of Manhattan — Hudson Yards on the western edge next to the Hudson River.

By comparison, the last creation of an entire neighborhood was Rockefeller Center in the 1930s at a price that would be valued today at a mere $3 billion.

Hudson Yards will turn into 12 million square feet of restaurants, shops, museums, auditoriums and 5,000 apartments. Also included on the 26 acres will be a huge roof over the rail center, through which 300,000 commuters pass daily.

Working with a city that does regulation on steroids is always complicated. That's where the experience of Ross and his executives helps reach a goal that doesn't compromise his vision while satisfying the area's maze of interests.

Getting the Hudson Yards deal done was quite the ride. News Corp. pulled out as the anchor tenant in 2008, and Goldman Sachs' financing fell through in 2010.

Plugged In

"I've always found that you need to listen carefully to officials about what they want because they really are looking out for what is best for the city and they need to get re-elected by fulfilling campaign promises," said Ross. "It's short-sighted to focus just on how to maximize your profits. We believed in it and worked on it during the (housing crash) when everyone thought nothing could be done in real estate."

Dan Doctoroff, former deputy mayor of New York and now CEO of Bloomberg, said: "Steve Ross is the only person who could ever turn Hudson Yards from Manhattan's last frontier into the vibrant edge of New York. It's a remarkably complex and massive development, and his refusal to ever see obstacles as permanent and his incurable faith in New York make him unique in the real estate community."

Related also manages $1.5 billion in nondistressed financial investments such as stocks and bonds, owns the Equinox Fitness luxury health-club line and is a partner with Union Square Events, which caters and organizes extravaganzas.

As if Ross wasn't busy enough in New York, he began acquiring the National Football League's Miami Dolphins in 2008 and is now 95% owner of the team and its stadium, which together cost him $1.1 billion (minority owners include singer Marc Anthony and tennis stars Venus and Serena Williams).

"I had a dream to build a great organization in sports," said Ross. "I found that you can't move as fast as even in real estate because there are more regulations and people are not available when you want them, so it takes patience, but we're moving in the right direction."