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Press Release

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IMMEDIATE

MTA Reaches Agreement With Related Companies/Goldman Sachs to Develop Rail Yards

Mixed-Use Development Features Significant Affordable Housing, Retains High Line; \$1 Billion for MTA Capital Plan

Governor David A. Paterson, Mayor Michael R. Bloomberg, and Metropolitan Transportation Authority Executive Director and CEO Elliot G. Sander and Chairman H. Dale Hemmerdinger today announced the conditional selection of Related Companies/Goldman Sachs to develop the air space over the two development sites that compose the MTA's John D. Caemmerer Rail Yard - the Western Rail Yard (WRY) and the Eastern Rail Yard (ERY). A special meeting of the MTA Board has been called for this Thursday to seek authorization for the deal.

The Related/Goldman Sachs plan will dramatically transform the Western Rail Yards into New York's next great neighborhood. This dynamic mixed-use neighborhood, designed as an extension of the City's fabric and public realm, will be a blend of architectural styles characteristic of New York's skyline, with streets lined with shops, restaurants, galleries, and arts and culture. The community will feature world-leading sustainability and extensive affordable housing, centered around an expansive public space destined to be one of New York's premiere gathering places.

Governor Paterson said: "The decision by a joint venture of Related Companies and Goldman Sachs to invest in the redevelopment of the Hudson Yards demonstrates a renewed commitment to the future of the City and region. This agreement highlights the resilience of public-private partnerships in the face of the national economic downturn that we are experiencing. An alliance between Related Companies - one of the country's premier real estate firms - and Goldman Sachs - a global financial leader - will lay the foundation for a reimagined Far West Side that will expand the Midtown business corridor and further strengthen the City and State economies."

Mayor Bloomberg said: "Today's announcement that the MTA will award Related Companies, in partnership with Goldman Sachs, the development rights for the West Side Rail Yards is great news for the City. Despite the setbacks of the last few weeks, we are certain that Related and Goldman will realize this tremendous opportunity to develop what is really the only large parcel of undeveloped space left in Manhattan. The attractiveness of this area for developers stems in part because the City is funding an extension of the #7 line, making this vital new mixed use community of residential, commercial and office space a truly transit oriented development. We will continue to work with the State and MTA and with the developer to help make the Hudson Yards development a reality."

Metropolitan Transportation Authority Executive Director and CEO Elliot G. Sander said: "The revenues from this development are critical to funding the MTA's capital needs, but we made it clear that we would not settle for anything less than a fair deal. The MTA is thrilled to be working with Related and Goldman Sachs, and we are committed to seeing a thriving new district rise on the West Side."

MTA Chairman H. Dale Hemmerdinger said: "This extraordinary deal indicates the strength of the New York market and the unique value of the MTA's yards. We are extremely gratified that the intense competition for these parcels allowed us to secure a deal that provides the MTA with more than \$1 billion. To put this deal back together without losing any time is astounding."

Stephen M. Ross, Chairman of Related Companies and Jeff T. Blau, President of Related Companies said: "We have always believed that the West Side Yards present a unique development opportunity to shape the future of our City. Related and Goldman Sachs are proud to have been selected to create New York's next great neighborhood, The Hudson Yards. We are confident that working closely with the visionary leadership of the State and City and the MTA, using the absolute best architectural, planning, engineering and construction talent, and having the financial strength and acumen of Related and Goldman Sachs, we will achieve our shared goals."

Stuart Rothenberg, Global Head of Real Estate Principal Investments at Goldman Sachs said: "We are committed to working with the MTA as well as City and State officials on this vital project and we are excited to partner with Related, a world class urban developer, on creating New York's next great neighborhood."

The MTA-owned Caemmerer Yard stores Long Island Rail Road (LIRR) commuter trains in close proximity to Penn Station, allowing the LIRR to move more than 235,000 commuters through the terminal each day. The construction proposal will provide for safe, continuous and uninterrupted LIRR service.

In July of 2007, the MTA issued two separate Requests For Proposals for the sale of and/or long term leasing of air space and related real property interests for development at the Eastern Rail Yard ("ERY") and Western Rail Yard ("WRY") sections of the Long Island Rail Road's John D. Caemmerer West Side Yard. Two of the primary objectives of the RFPs are to maximize revenue for MTA's capital plan and to assure safe, uninterrupted LIRR service at the WSY. Currently the WSY is a 24/7 active storage, maintenance, and cleaning facility for LIRR. The third goal of the RFPs is to promote excellence in architecture, urban design, and sustainability in keeping with the City's vision for the economic development and revitalization of the Hudson Yards area.

In October 2007 the MTA received proposals from five qualified real estate development firms for both yards. The proposals were evaluated over several months by a Selection Committee comprising a majority of MTA members and two representatives from the Hudson Yards Development Corporation.

After negotiations with several of the proposers, the Selection Committee recommended the Tishman Speyer proposal to the MTA Board in March. Less than a week after negotiations reached an impasse with Tishman, the MTA reached an agreement with Related/Goldman. The Related/Goldman proposal includes the following elements:

Eastern Rail Yard (ERY)

The 13-acre Eastern Rail Yard (ERY), between 10th and 11th Avenues from West 30th to 33rd Streets, was re-zoned in January 2005 as part of the City's Hudson Yards re-zoning, and allows for approximately 6.27 million square feet of mixed-use development (11 FAR), including office, residential, hotel, retail, cultural and parking facilities, and requires approximately seven acres of public open space.

The Related/Goldman Sachs plan, organized around a grand civic plaza, will construct:

- 5 buildings, 6.27 million sf total
- 1.67 million sf residential with 612,000 sf 80/20 rental (approx. 830 units) not less than 20% permanent affordable and 1.05 million sf condominium residences (approx. 692 units)
- 3.57 million sf commercial office
- 565,000 sf retail
- 265,000 sf hotel
- Dedicated area for 200,000 sf community/cultural
- 55% of site public open space

Western Rail Yard (WRY)

The 13-acre WRY, bordered by West 30th and 33rd Streets, between 11th and 12th Avenues, needs to now go through the City zoning/ULURP approval process. The Related/Goldman Sachs plan adheres to the design guidelines outlined in the MTA's RFP, and the development consists of approximately 5.75 million sf, including:

- 8 buildings, 5.75 million sf total
- 3.63 million sf residential with 960,000 sf 80/20 rental (approx. 1,324 units) not less than 20% permanent affordable and 2.67 million sf condominium residences (approx. 1,927 units)
- 1.92 million sf commercial office within one building
- 192,000 sf of retail
- 120,000 sf PS/IS school
- Over 55% of site public open space

Special Features of the Proposal:

- 20% of the rental housing on-site at Hudson Yards will be permanently affordable (approximately 440 units), contributing to the diversity of the project and the shared vision by Related/Goldman Sachs, the State and the City for this great New York neighborhood.
- The High Line, which borders the Hudson Yards on the south and west, is retained as an integral part of the Related/Goldman Sachs proposal. The High Line will be rehabilitated and maintained as a linear open space.
- The Related/Goldman Sachs plan will achieve LEED certification by the U.S. Green Building Council, representing one of the most significant commitments to green development in the United States.

The business and legal terms of this deal follow those previously negotiated with the Tishman Speyer organization, a 99-year ground lease, severable, with options to purchase severed fee parcels. The net present value of the proposal is \$1.054 billion. The agreement also allows the Developer to opt to delay certain rent payments where no building has begun construction for up to two years, provided that the Developer increases its rent guarantee by the full amount of the deferred rent once either construction starts or the delay period ends and the future rent is increased by the value of one half of the amount of the deferral. The maximum exposure to this provision (in the event that no building has commenced and the delay period is the full two years) would make the net present value to the MTA \$1.011B.

Next Steps

A special meeting of the MTA Board has been called for this Thursday to seek required approval of the deal. If the Board authorizes the signed Conditional Designation Letter, these documents and the \$11 million initial deposit would be released from escrow to the MTA. The MTA would then enter into a contract with the developer within the next few months. The proposal for the Western Rail Yard would then begin an environmental and public review, which consists of preparation of an environmental impact statement followed by the City's Uniform Land Use Review Procedure (ULURP), a six-month series of reviews by the community board, Borough President, City Council and City Planning Commission. Construction on the WRY may begin after completing this process, expected to be complete by the end of 2009. The ERY was re-zoned in January 2005 and construction could commence upon completion of the contract with the developer.