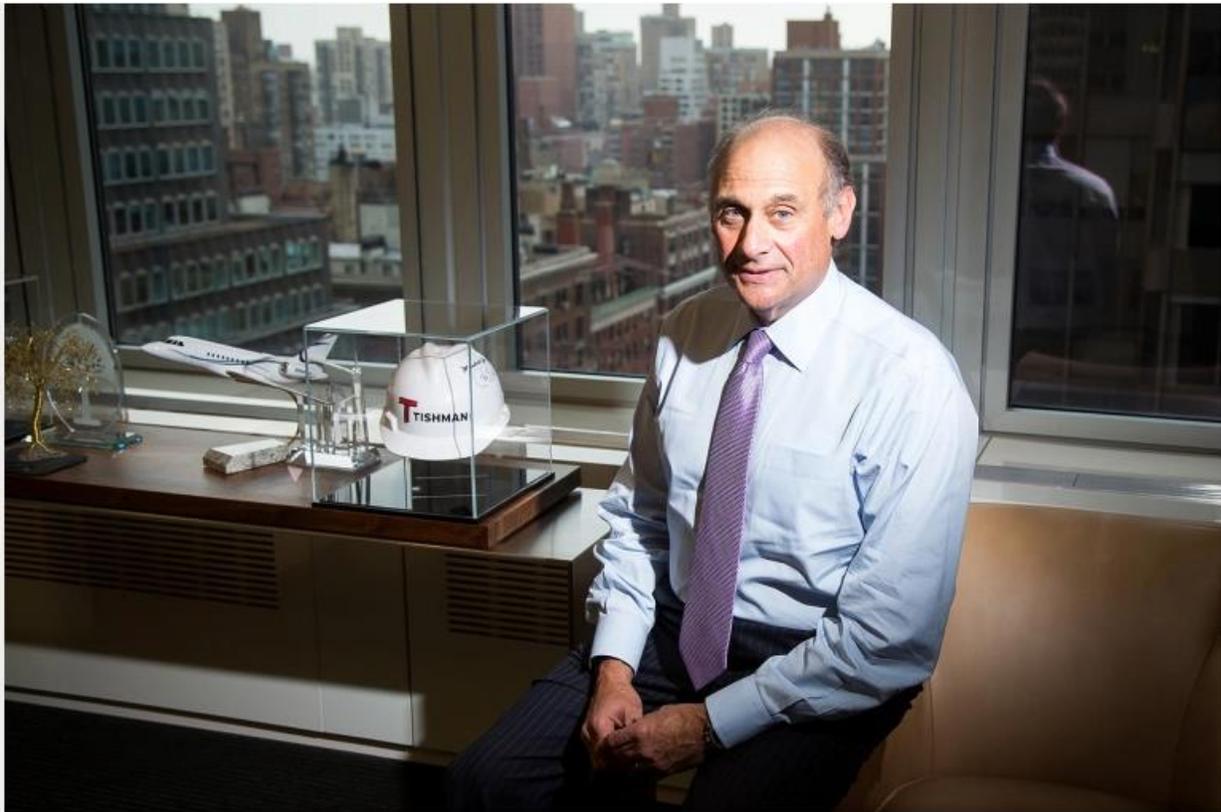


Dan Tishman Dishes on New Projects, 421a and His Late Father [Updated]

BY [LIAM LA GUERRE](#) MAY 5, 2016 9:30 AM

DANIEL TISHMAN IN HIS OFFICE AT 100 PARK AVENUE (PHOTO: MICHAEL NAGLE).



[Daniel Tishman](#) was having a long morning.

SEE ALSO: [Tishman Speyer Lands \\$194M Construction Loan for DoBro Macy's Reno](#)

It started at 2:15 a.m., thanks to a passing thunderstorm that rocked his Westchester home and woke him, his wife and their two dogs for the rest of the night, but the Tishman Realty vice chairman was chipper and sprightly when he walked into his offices at [100 Park Avenue](#) near Grand Central Terminal at around 3:15 p.m. to chat with Commercial Observer.

Few names in real estate are as hallowed as that of Tishman. Tishman Realty, the property managing and development firm was started by Dan's great-grandfather Julius in 1898, and his father, [John](#), turned it into a leading national construction firm. [Tishman Construction](#) is responsible for building the largest projects in the city, including most of the World Trade Center, [Related Companies](#)' Hudson Yards, [SL Green Realty Corp.](#)'s [One Vanderbilt](#) and [Brookfield Property Partner](#)'s [1 Manhattan West](#). (Mr. Tishman is a second cousin of [Rob Speyer](#) of Tishman Speyer, whose founders [Jerry Speyer](#) and [Robert Tishman](#) used to be affiliated with Tishman Realty.)

When John Tishman passed away in February, the company he was overseeing included a 6.3-million-square-foot U.S. portfolio worth about \$3 billion, which includes nearly 6,000 hotel rooms, as well as office and retail properties. (It owns \$3 billion worth of property and manages \$1 billion more.)

Tishman Realty's offices are above [AECOM](#)'s digs on the fifth and sixth floors, where Mr. Tishman is a vice chairman of the board. (He sold Tishman Realty's construction services arm to AECOM in 2010 for \$245 million.)

AECOM Construction Services, which includes Tishman Construction, makes about \$7 billion in revenue annually.

Mr. Tishman, 60, talked to CO about rising construction costs, problems with the 421a tax program, building the World Trade Center and why he has pictures of himself and Democratic presidential frontrunner Hillary Clinton and President Barack Obama in his office.



ONE VANDERBILT (RENDERING: KOHN PEDERSEN FOX ASSOCIATES).

Commercial Observer: What was the motivation to sell Tishman Construction to AECOM in 2010?

Mr. Tishman: What brought me to the point of entertaining merging with AECOM was really understanding that the construction company was part of a very multidisciplinary real estate construction development enterprise, and we had gotten, what I would call, a little bit out of balance.

What do you mean by “out of balance?”

Well, we had this very large portfolio of owned real estate, which had nothing to do with construction, because we are developers and owners. But the construction business had gotten so large it was taking more and more of our time and our resources. And in order to stay vibrant and diversified we were right at the moment where we were going to have to make significant investments to grow, and it was probably not growing in the United States—it was growing internationally.

Why didn't you just become a big multinational company on your own?

Because it is very capital intensive. What we realized is to actually set up a beachhead [overseas] is very costly—between \$5 million and \$10 million—just to move through the appropriate registration to set up the office, to lease the office and to hire local. And you realize even if you have offices in Abu Dhabi that doesn't get you anywhere closer to getting work done in Dubai, because they are different [cities]. So the cost of developing an infrastructure worldwide is very high, and I just made the decision that we had better uses for our capital than investing in building a bunch of offices.

What projects is Tishman planning?

We have bought a site at 110 East 16th Street [for \$35 million in 2015]. We are a long-term holder. We are not a developer who buys to develop and flip. 110 East 16th Street is anchored by a parking garage off Union Square. We are taking our time. We have an architect who's working on it. We are evaluating residential or hospitality. It would probably be condos.

In Chicago we're developing a commercial building at 100-112 South State Street, which is an adaptive reuse. We are actually adding floors and combining two buildings in a heavily retail part of town. Our primary clients will be retail-oriented.

When will you start construction on the Union Square property?

When we know what we are going to build. We bought it, and we are exploring what we are going to do with it. We can keep it as a parking garage for a return, or when the market is right we can really see what we want to do. Like many developers who are more family generational, we like to have a backlog of things that you can work on when the time is right. We also tend to like to develop in the downtimes—not when things are [hot] because we think there are more opportunities to buy things.



THE WORLD TRADE CENTER COMPLEX.

As far as Tishman Construction projects, which are you most proud of building and why?

They're all like children, but people's careers get defined by certain things. I have been thinking a lot about this since my father passed away earlier this year after a very long illustrious career—I would say that it's hard not to say the World Trade Center complex. Getting entrusted by Larry Silverstein to essentially rebuild it and at the same time being entrusted by the Port Authority [of New York & New Jersey] to be involved in virtually everything else, I can't really replicate that in any one other project anywhere else. There were multiple clients, multiple stakeholders, three or four [New York State] governors, two mayors not including the current mayor, and I was fortunate enough to be right there through all those discussions.

What about the Hudson Yards projects you are building, like 30 Hudson Yards?

I think it is remarkable. The things that restrict great cities from maintaining their greatness is often the inability to reinvent themselves. During my career Hudson Yards has always been talked about as one of the great last places where remarkable thinking and urban renewal could happen. But it took a complete aligning of the stars to unlock that opportunity. We can't afford to have a significant piece of land remain, sort of what I would say was, industrial fallow, meaning it was a train yard. It was adding no benefit to the City of New York, except for as a place to store trains. And most of the trains were not even New York trains they were for New Jersey Transit.

What are your thoughts on 421a?

Well, first of all I am a believer that affordable housing is appropriate and necessary to be talking about. This city needs a vibrant working class, and the

way you have a vibrant working class is that you have to be able to house them.

And I think the dialogue that is happening now is one about how do you get those projects online and what are they going to cost. It's a valid debate. It's a debate that's a little hard to have in this market because there's a lot of pressure by the unions to mandate that 421a exist and it should be union-only jobs. I understand where they're coming from, but I don't know if that's rational in this marketplace, because there is complete full employment in the unions anyway.

If a developer wants to deliver units for the working class, I think that the developer should be able to develop those units any way they want to. If that means they build it union, great. If that means they build it non-union, great. I think that should be a developer's prerogative.

If it becomes mandated that construction workers get a prevailing wage for projects with tax breaks, would that help or hurt you?

Prevailing wage is just one side of the cost. Most developers are willing to pay a fair wage. The reality is that a lot of the cost of construction has to do with work rules, nothing to do with the wage a person gets at all. So here in New York, if you are a union worker you have to live under certain work rules [like] what time you start, when you get breaks, how much you pay into a pension, how much of your wage goes to a strike fund, how much goes to a lobbying firm and how much of your wage goes to fairly high-cost insurance—a lot of things that don't actually trickle down to the workers.

Is that the main reason why construction costs are rising today?

I think the primary reason why costs are rising right now is because we are in the most superheated market—costs always rise when you are in a great market. So you have labor at full employment, you have much more construction traffic and you have limited resources for concrete.

And there are a lot fewer subcontractors in town today than 10 years ago. So today you might be bidding to five companies, whereas 10 years ago you might have been bidding to 10.

Can you tell me what happened that led to the U.S. attorney charging Tishman with illegally billing its client? (In December 2010, Tishman Construction was charged with fraud by the U.S. Attorney's Office Eastern District for overbilling clients more than \$5 million for 10 years. The company had to pay restitution of \$20 million).

I'll have to refer you to the statement [we released at the time].

We've heard of some deaths and injuries on construction sites recently: Do safety protocols need to be revised?

Actually—and I've been on the record many times on this—I think for as risky a business as construction, we are a pretty safe industry. We have a major construction company, and we do lots of training, and we adhere to all the rules and regulations. We are a much safer industry today than we were 10 or 15 years ago—by every metric. Are there going to be accidents? Yes. Are there going to be things that the news media picks up on? Yes. Could

there be a measured reasonable professional response each time there's an issue for the city to find out what caused the issue and better ways to deal with it? Absolutely.

What was it like to work with your father?

We had a very special relationship. I had a dad, and I had a partner, I had a mentor, a guy I would often go fisticuffs with—not physically. So we had a very, very robust, engaged relationship, which I think is extremely unique. And it changed as I got more and more into the business, and at some point the really interesting thing is that the relationship flipped from he being my boss and my mentor to my being his boss. I took over the business pretty much full time in 2000. He was gracious enough to be my adviser and let me call all the shots. And that's a very unique relationship. A lot of family businesses don't operate that way.

Are you mentoring your sons into the business too?

I am mentoring them in their careers as much as I can. My father allowed me to decide to come into the business when I was ready, which was not right after college. I think I was around 29.

Why did you wait so long?

Because I wanted to experience life. I knew enough people in the industry to know once you go into the family business, unless you have a complete blowout, you are there [for life]. I wanted to make sure I was ready to do it and by the time I decided to do it, I was not sure on this. One of my sons—I

know him very well, he's one of my best friends—he would have no interest. His name is Josh, [24], and it is just not in his nature. He is an outdoorsman. He's a professional horseback rider and then my younger son, Gabe, [19], he's a college freshman at the University of Michigan.

What is your relationship with Rob and Jerry Speyer?

Rob and I have a very cordial relationship. We are separated in age by probably 15 years, so we don't have a social life together. But he's just stepping down from being [chairman] of the real estate board, and I have been on the real estate board's executive committee for probably 20 years, so we see each other a lot. We are closer in generation than Jerry. Jerry would have sort of been in my father's generation. We don't do business together—not intentionally. I see him once every couple of months, and we go to lunch a couple of times every year. We do call and chat about various different things. I mean we're not at each other's throats.

You have a picture of Hillary Clinton and you in your office. Are you a supporter?

I've always supported progressive politics.

Was that a yes or no?

I am supporting Hillary.

What's the deal with the photo of you and President Barack Obama?

My father had a very close relationship with Barack. He was—and Barack will say this—he was one of his first supporters when he ran for the state Senate.

How did they meet?

Progressive politics. [Mr. Obama] was a rising star in Chicago, [and] we have an operation in Chicago. I remember him coming to our office. I was new, and he was running for the state Senate. He sat down in my father's office, and my father introduced us and said, "This man is going to go somewhere." Nobody knew where [at the time].

Update: This article has been updated to reflect that AECOM Construction Services makes \$7 billion in revenue annually, not Tishman Construction.