

## Gilmartin, Lapidus and Levinson Explain How They Started Their New Company, L&L MAG

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MARYANN GILMARTIN, CENTER, LEFT FOREST CITY NEW YORK AFTER 24 YEARS TO FOUND L&L MAG WITH ROBERT LAPIDUS (LEFT) AND DAVID LEVINSON OF L&L HOLDINGS. PHOTO: YVONNE ALBINOWSKI/FOR COMMERCIAL OBSERVER

MaryAnne Gilmartin rocked the real estate world last week when she announced she was leaving her post as Forest City New York's chief executive officer to found a new company, L&L MAG, with L&L Holding Company executives David Levinson and Robert Lapidus.

Since joining Forest City in 1994, Gilmartin and her team have built the New York Times Building on Eighth Avenue, the Frank Gehry-designed rental tower at 8 Spruce Street and the Tata Innovation Center at Cornell Tech's Roosevelt Island campus. And most famously, she has spent the last decade shepherding through the byzantine city approvals and construction of the first phase of Pacific Park (formerly Atlantic Yards), the \$5 billion, 22-acre complex rising around an active Long Island Railroad yard. (So far, five out of 15 buildings and 800 out of planned 6,400 apartments—2,250 of which are supposed to be affordable—have gone up with Forest City facing a looming deadline of 2025 to deliver the rest of the below-market units.)

L&L, for its part, has a well-established reputation for developing, acquiring, and operating commercial properties in New York City. The 18-year-old firm is in the midst of redeveloping 390 Madison Avenue near Grand Central Terminal, building the Norman Foster-designed 425 Park Avenue from the ground up and planning a 700-room hotel and retail project, TSX Broadway, in Times Square. Levinson and Lapidus also happen to be partners in the New York Yankees (and often describe their business ventures in baseball metaphors).

The partnership coalesced because Gilmartin, 53, has a reputation as a fierce dealmaker, Lapidus, 57, and Levinson, 69, told Commercial Observer. Much like the L&L founders, Gilmartin has taken on massive, difficult projects with complex financing and elaborate architecture and dragged them from the drawing board to reality, in the process making her one of the most powerful women in New York City real estate.

Levinson, whom Gilmartin had known for nearly 20 years, approached her in late 2016 about starting a new venture. She jumped at the chance.

Gilmartin is making the switch not a moment too soon: Forest City announced last week that the subsidiary of China's Greenland Group would up its stake in Pacific Park to 95 percent from 70 percent, whittling down Forest City's ownership to a sliver of the sprawling project. The company also axed 20 people from its Brooklyn office.

Last week, at the Real Estate Board of New York banquet, Gilmartin, the new CEO of L&L MAG, spoke to Commercial Observer about the new firm. The next day she sat down with us along with Lapidus and Levinson at L&L's (and L&L MAG's) offices on West 57th Street to talk about how they met doing a deal with Bear Stearns, Gilmartin's encounter with a CEO who had a Matt Lauer button behind his desk and New York City's cooling residential market.

**Commercial Observer: Are you concerned about doing new residential construction in New York City given that we're in the middle of a luxury residential glut?**

**MaryAnne Gilmartin:** I don't think this company is so keen on building a lot of \$40 million condos. I think real long-term value creators are interested in multifamily, not in condos. Condos are really a great allocator of land cost, so if you pay too much for the land, you often have to build condos to make it pencil out. So the goal of the company is to build for value creation over the long-term, through market cycles and beyond. And the multifamily business, in the depths of the recession, the vacancy rate never pierced 3 percent. And [there's] a housing emergency. So you'd have to work really hard to build too much multifamily in the city. The issue of course is price of the land, making the numbers work. And that's our job: We have to figure out where to go and how to find the land.

**David Levinson:** I think that's exactly right. And your point about the condo market being soft is actually to our advantage because the land prices now go down. So with that market stalled for the near term...land prices are going to come down, and the opportunity for multifamily would increase. Good locations, quality projects. That's the best way to mitigate the risks.

**What kind of projects do you guys really want to pursue, and in what New York City markets are you looking to build?**

**Robert Lapidus:** Clearly, we're not in the commodity real estate business. We try to create special products, and there's a rationale for that. It's not just that we like to build pretty things, but the better products are better financial investments. I think it's a philosophy David, MaryAnne and I all share.

**Levinson:** The kind of buildings we're going to build are environmentally sustainable, architecturally interesting, beautiful. They'll have amenities that help people with their health, like fresh air, outside spaces, places for people to collaborate and meet. It's really how people want to live and work in the 21st century.

If you're thoughtful about these things, it's really no additional cost or [it's a] marginal cost. We're not really talking about huge, significant costs to be thoughtful about how you're going to design a building, how you're going to underwrite the building.

**Gilmartin:** The underwriting is challenging. When we built the Gehry tower, we had six lenders. It was a \$670 million loan. To sit and talk about what Frank Gehry was going to do for the skyline, every floor as you got higher up was in this beautifully proportioned tower—we had to underwrite it as if it were a forgettable luxury rental building [so lenders wouldn't feel intimidated by the cost of the project]. And I said to the lenders, "Let's just do that because I think it's 10 cents a floor in rent as you go up to the top." Nobody wanted to hear about it. To David's point, if you can build it as a commoditized product and figure out how to do that and not pay more, it's such a home run because the value is there and it's going to stay. And it's almost as elastic [against] fluctuations in the marketplace. There's not only a flight to quality, but the quality holds up in a downturn or market correction.

**Levinson:** It's really the best way to mitigate the risk, to not build a commodity building.

**Lapidus:** Think of something as simple as LEED, which is commonplace these days. But if you're planning a billion-dollar project, and you want to hit a certain level of LEED certification, it might cost you an extra \$500,000 or a million dollars on a billion-dollar project to get that. Everything we do is about upfront planning and coordination. By the time you actually start doing the work, you've thought about everything. There's always going to be things you can't foresee, particularly in what Dave and I have done in the past with taking existing hundred-year-old buildings.

**Like 390 Madison?**

**Lapidus:** Everything: 200 Fifth, 390 [Madison], 195 [Broadway], 425 [Park Avenue]. But when you have the luxury of building ground-up, you have other issues to deal with, but you don't have that uncertainty...It's like a treasure hunt. Some of our buildings, like 150 Fifth, you'd peel things away and Dave's like, "You got to come down here and look at this. It was the bishop's vault."

**Gilmartin implied in an interview with us at the REBNY banquet that commercial was more the priority. Is that the case?**

**Lapidus:** We're opportunistic. L&L's history is office buildings with ancillary retail. Obviously, the project we're doing, TSX Broadway in Times Square, has no office, which is a departure. What attracted us to that was an iconic, once-in-a-lifetime location and the ability to create a 21st century product and a very, very complicated construction. It had all of those elements even though it wasn't office. With MaryAnn's pedigree and background, we think the world has opened up to us even more. We've looked at residential things at L&L but haven't really done them. It's a very different view now because MaryAnne and her team have executed those successfully many times.

**Gilmartin:** I think I had said [at REBNY] my first love was office because, when I first came into the business, I built office buildings at Forest City. That was my bread and butter. But then what Pacific Park did and Spruce Street did was open up a whole new avenue. That was the great thing about being at a company where, if you dared to dream it and defend it and it penciled out, they were game. I had a great run—built two hotels [former Embassy Suites at Battery Park and Hilton Times Square]. That's the spirit around here, too [at L&L]. You have to be sensible and know what risks you're taking, but there's a lot of ambition and a lot of enthusiasm around the city. And inside of that anything is possible.

**Can you talk about how this partnership came together?**

**Levinson:** So Rob and I had really been talking about, from day one, creating a platform for the most talented people we could attract. And as our business grew and as the projects got more complex, there was more of an urgency in our minds to bring in the most talented people we could find. As the founders take a company from point A to point B, very often the platform needs to have new blood, new management, people that have their own vision and drive.

It had come to my attention that [Forest City] changed the nature of their business, and it made me think that potentially, knowing MaryAnne as a “hopeless developer,” as she says, that she could end up in a place where she could be constrained. She might not be able to reach her own aspirations as a professional developer.

We knew each other. We did a deal a zillion years ago, which was interesting and successful.

### **What deal?**

**Levinson:** It was Bear Stearns. I was advising and representing them [as a broker with Insignia/ESG], and they did a [300,000-square-foot] deal at MetroTech in 2003. So we go back a very long way. We reached out to MaryAnne, and it was sort of like a “let’s catch up” social kind of thing, knowing in my mind where I really wanted to go with that conversation. Over a period of about a year and a half, it was sort of a courtship. I watched what was happening at Forest City, and it was unfolding the way I had anticipated. And it was getting a little clearer to MaryAnne what we had in mind, and we had this very fun enjoyable lunch at the 21 Club [in November 2016]. I think MaryAnne proposed something that was a little different than what I had contemplated. And she proposed her team potentially.

And that idea of her and her team was something Rob and I hadn’t even contemplated. But it was an awesome idea. Then we started thinking, “O.K., so how would this work? And what would be the structure of our deal?” MaryAnne was at the point in her career where she wasn’t going to just take a job working for somebody. She really was in a place in the world where she should be an owner of the business. And we were totally O.K. with that.

**Gilmartin:** I was on a career quest for sure. If I was going to leave, it was going to be different than it had been up until that point. The notion of being an owner in something versus being a well-paid CEO, that I was clear on. And I learned along the way that the definition of partnership is a very interesting conversation.

I can tell you how you can dance around that discussion to the point of being utterly exhausting because what you get to fundamentally is, “You’re a partner but…” Doesn’t mean you’re going to actually own anything. You’re just going to shill and then you’ll get a piece of the upside.

I can say from the onset, David said all the right stuff.

What I find remarkable is not just that we figured it out on a deal front, but I was able to feel comfortable and they felt comfortable with me, and these guys have been partners for 17 years. For me it was a great validator that they’re not clones of each other and that they were able to be successful, enjoy each other, have fun and make money.

### **What was the most uncomfortable situation you’ve been in as a woman in real estate?**

**Gilmartin:** [Years ago, Bruce Ratner] and I went to Midtown to meet with [the CEO of a now-defunct investment bank about a lease]. We were arguing over a buck a foot in rent [in MetroTech]. So we go in, and [the CEO] is like, “These people could be in Calcutta for all I care. What do I care about Brooklyn?” And I was like, “Oh, this is going to go really well.” He literally had like a button, and the door closed, and then he lit up a cigar, and it was like 9:30 in the morning. I thought, “Where are we? I just want to get the buck and get out.”

And he started with “Oh, I read the paper today. Turns out you’re in bed with The New York Times.”

And he looks at me, and he looks at Bruce. I’m like, “O.K. this is a little off topic, what are you saying?” And he’s like, “You’re stopping the Freedom Tower [from] getting built, according to [New York Post reporter] Steve Cuzzo, because you can’t fill your building in Midtown.”

[When he struggled to find tenants and financing for The New York Times building in 2003, Ratner applied for \$400 million in tax-exempt federal bonds that were earmarked for rebuilding New York City after 9/11, the Times and The Village Voice reported at the time. However, the government ultimately rejected his application for the financing.]

I'm like, "That's kind of deep. You're giving us a lot of credit." And he said to me, "I think I'm going to try and hire you." And I'm sitting there with Bruce Ratner, and I'm like, "This is not about the buck. I just want to talk about the buck!"

[Afterward] Bruce says to me, "I'm so sorry, I should have just gotten up and left." We got the 75 cents [a square foot].

Then we go downstairs and Bruce is beyond upset. I said, "Bruce, stuff like that, people get their comeuppance." And as the future would have it, things didn't end so well [for that CEO]. We go downstairs, and there are all these black cars lined up, and Bruce's driver was off or something, and we had to go to another meeting. So there's a car right outside the door of [the bank].

We get in the car, and the [driver asks if we're the CEO we just left]. And Bruce is like, "Yeah, I'm him." So we take the black car, and we're driving up Madison Avenue, and the guy starts getting calls: "Where are you? Where are you?" And he's like, "I got the guy in my car." And they're like, "No, you don't. He's looking for his car." So Bruce takes out \$500 and says to the guy, "Take us where we're going. It'll be worth your while. It's worth it to me for you to not [kick us out]. And I could easily get another cab. Here's 500 bucks." So Bruce and I [won] in our little Brooklyn way... We got the 75 cents, and we left, and we took the car.

This is my story of like, "As a woman in real estate, have you ever had any crazy [moments?]" ...and I'm like, "Well, there was this one time..."

**Do you think the gender dynamics and balance of power in real estate will ever shift enough that we can just talk about you in terms of being a developer, instead of being a female developer?**

**Gilmartin:** I don't do panels with women talking about women in real estate. Because you know what? It's not going to change anything. I'll do a panel with some men, and if women come up, I'll talk about it. But it's not going to change if women get together and just keep talking about how it has to change. The change starts when fellas like this decide they picked the best person for the job, man or woman, and it happens to be a woman. And then we go change the world. And then I go inside of the C-suite, I do what I do, it opens pathways for women. Fifty percent of the people I brought [to L&L MAG] are women. Then I go into a boardroom at Jefferies [the investment bank], a bunch of guys, and I'm on the board there, and that's when we start talking about a new board member, and you know we're going to have a conversation about putting women in the mix.

The change really has to come two ways. Women have to get into the C-suite and the boardroom. And men have to sign onto the mission. And then we change the world. And then it's not going to be such a big deal. I know I'm the beneficiary of this very shallow pool where women aren't doing what I'm doing. I'm not proud of that. There's a lot of fuss about it, and it's all really exciting. But, it's also quite pathetic. It shouldn't be that big a deal.

**Levinson:** I'm not giving Rob and myself any special credit, but for us...we didn't really see MaryAnne as we're partnering with a woman. It's really more of a coincidence. Our job is to create the best platform we can and either hire or partner with the best people we can. It wasn't like, "Let's go find a woman because the world needs a woman CEO."

They do, but that's more of a coincidence. And at this moment in time, it's a benefit because I think people really like this idea by itself. But that's not what it was about. It was 100 percent about the best people. We know what it means to field a great team. This is our Giancarlo Stanton [who just got picked up by the Yankees] moment.

**Gilmartin:** Recently someone was quoted in all these stories that were written about real estate and women and the "MeToo" moment and all that. Somebody said, "You know the reason it's a boys club is because people want to be among people who are like them." [That's] as opposed to saying you want your business to reflect the people you serve. You look around at our city, and if the city is our clientele, what the hell? There better be some diversity. So I look at it more on the outside as, Who are we serving?