

## **Breaking Ground with Brian Bandell: Developers highlight development challenges in Miami Beach (Photos)**



Developing in Miami Beach can have lucrative rewards for those who do it right, but a panel of high-profile local developers said that building in the city presents huge challenges.

The *Business Journal* held “Breaking Ground with Brian Bandell” March 7 at the Nautilus South Beach, a SIXTY Hotel. The panel featured Terranova Chairman [Stephen Bittel](#), Finvarb Group Principal [Ronny Finvarb](#), Crescent Heights Managing Principal Russell Galbut and Optimum Development USA CEO [Ricardo Tabet](#). The event was sponsored by Atlantic Broadband and Crocker Partners.

The developers outlined their strategies for creating ultra profitable projects on the beach, where strong tourism has kept business thriving. Yet, they said building on Miami Beach has become increasingly difficult, and they directed much of their frustrations at the city’s Building and Planning and Zoning departments.

Here are some of the opportunities in Miami Beach the developers outlined:

### **Retail and Restaurants**

Bittel said people called him crazy when Terranova bought its first retail buildings on Lincoln Road for \$850 per square foot. When he bought a building there two years later for \$2,300 per square foot, no one thought he was crazy. He knew that national tenants were ready to secure space on the tourist-heavy strip.

Lincoln Road has rebounded strongly from a slow 2017, Bittel said. The first half of 2018 was its best time for sales in over a decade.

While there is some vacant space on Lincoln Road, Bittel said some of that is by design. Terranova has intentionally allowed leases to expire so it can redevelop certain buildings.

Bittel said Terranova's [Lincoln Eatery](#) has exceeded expectations with its mix of food vendors. Many of his restaurant tenants on the street have tremendous sales, he added.

## Hotels

Finvarb is currently building a Kimpton Hotel on Alton Road and plans to start construction relatively soon on a [Thompson Hotel](#) at 17th Street and Washington Avenue. Both hotels will be near the recently expanded Miami Beach Convention Center.

"We're very bullish on the market here," Finvarb said.

Galbut said Crescent Heights is building a CitizenM hotel as part of its 1212 Lincoln project, which will also have retail. He said it will be an exciting new brand for travelers.

Optimum Development is renovating its [Celino South Beach hotel](#) on Ocean Drive. It will feature three restaurants, plus a rooftop pool with a glass bottom so people the floor below can watch the swimmers above them.

"We want to be a catalyst for the area," Tabet said.

Yet, Miami Beach has more competition than in the past. Galbut, who is also the chairman of Norwegian Cruise Line Holdings, said 12 years ago, 90 percent of their cruise passengers would book visits to Miami Beach before or after their cruises. Today, most of those passengers are booking visits to the City of Miami instead.

## Condos

Optimum Development will soon start construction on the [Monaco Yacht Club & Residences](#) in North Beach. Prices in the 40-unit project, which will feature a marina, start at \$1.1 million.

However, selling condos in Miami Beach hasn't been easy lately. There was a 57 month supply of condos priced \$1 million and up in January, based on the recent sales pace, according to research by [Ana Bozovic](#), of Sky Five Properties. The inventory was 30 months of supply at all price points, she found.

Tabet said Monaco will be a unique building, with large units, private elevators and high-end architecture. Unlike Miami, where thousands of condos can be developed, Miami Beach doesn't have room for many more condos, he added.

Galbut said he plans to put luxury condos in the top 20 floors of his 44-story building proposed at [500 and 600 Alton Road](#). There would also be 20 floors of apartments.

While he's not ready to launch sales yet, Galbut sees this as a prime location and he plans to build high-end, large units there. He expects to attract many buyers from the Northeast.

Here are the biggest challenges the panelists identified:

### **The planning process**

The panelists agreed that getting a project through Miami Beach's planning process is extremely complicated and requires too many steps. There are too many boards that oversee development, and they aren't always consistent between them, the panelists said.

Galbut said his proposed tower at 500 and 600 Alton Road received 590 questions from city planners it must respond to. There are simply too many processes, and the code isn't always applied equally, he said.

"If you develop a good relationship with them and they trust you and you don't play around by working without permits, then you can do well," Bittel said.

The developers agreed that they'd like the city to reduce its parking requirements, especially for hotels. Finvarb said the parking decks for his Miami Beach hotels are mostly empty, as guests use ride-sharing services.

### **Historic property**

Miami Beach has strict rules for preserving historic properties and architectural styles. This has allowed much of the city to keep its Art Deco charm. Yet, the panelists agreed that historic preservation rules can clash with the need to modernize buildings for safety and resiliency against sea level rise.

Tabet said he wanted to raise a building by four feet in response to higher water levels, but a city board said the code wouldn't allow it.

"If we want historic buildings to be something other than museums, the codes need to be looked at," Tabet said.

Bittel would like to see the code changed so developers could create new buildings with facades that resemble the historic structures, without actually keeping an old facade that's on the verge of crumbling.

### **Sea level rise**

The developers agreed that they want to build their projects higher, if code allows, to stave off rising sea levels.

Galbut said his 500 and 600 Alton Road project will include a public park to mitigate the impact of sea level rise in the area. He hopes to see more creative green space solutions in the city.

## Land costs

Miami Beach has some of the highest land prices in Florida, especially on prime streets. Those big prices, and the fact that the permitted density isn't very large, can make it challenging for development deals to make financial sense, Finvarb said.

"We pass on more deals than we actually do," Finvarb said.



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