

## Urban renewal - West Palm Beach

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IT'S THURSDAY NIGHT, AND THERE'S A BLOCK PARTY going on downtown--downtown West Palm Beach, that is. It's happening on Clematis Street, to be exact, the city's newly rediscovered hip spot. By day, it's a place where shoppers stroll shady streets and business people congregate to seal deals at upscale bistros. Come Thursday nights, however, it's Clematis By Night, a weekly event organized by the mayor's office and several private sponsors ranging from Bass Ale to First Union bank. The event is a showcase for regional musical talent from jazz to reggae to rock and roll, but above all else, Clematis By Night is a perfect indication that West Palm Beach is finally alive and kicking.

"When it started [in 1995], there were probably two or three restaurants available on the street and very little retail," says Mary Pinak, West Palm's community events coordinator and a 13-year city employee. "At 5 p.m., you could literally shoot a cannon down the street and not hit anyone."

How times have changed. Clematis By Night is now a rollicking party that often swells to more than 4,000 revelers who eat and drink the night away. "This event definitely had a hand in revitalizing the area," Pinak says. "It was a catalyst of change."

Other catalysts have contributed as well. From the renovation of the Kravis Center theater to the development of downtown housing and [CityPlace](#), a huge retail-and-residential complex in the heart of West Palm, the city is breathing new life.

A dozen years ago it would have been difficult to imagine downtown West Palm Beach as it is today, a vibrant urban core flanked on all sides by upscale retail and residential development. It was certainly not an overnight transformation. Bill Fountain, director of West Palm's Downtown Development Authority (the oldest DDA in Florida) says the city's renewal was catalyzed years ago by two milestones: the opening of the Kravis Center for the Performing Arts in 1989 and the formation of a strong-mayor government in 1991.

"People who lived in Palm Beach County in the '80s bragged that they would only come through West Palm if they had to drive somewhere else," Fountain says. "It was the stepchild of the county. Now those very same people are driving here to go to the Kravis and CityPlace."

Keeping up with the times, the performing arts center is now undergoing a \$31 million renovation and expansion. The project includes demolition of the center's Cohen Pavilion, to be replaced by a 114,000-square-foot, three-story building with rehearsal space, an education department and a banquet hall. The construction work is being done by the Weitz Company, a local contractor that has built more than two dozen buildings in and around downtown West Palm.

"I think the Kravis Center has helped anchor the downtown," says center spokesman Bill Underwood. "Before the center, there wasn't much here." Today, the Kravis puts on more than 900 performances a year in three separate venues: Dreyfoos Hall, the Rinker Playhouse and the Gusman Amphitheater.

As for the switch to a strong-mayor government, Fountain says it was instrumental in stimulating West Palm's development by paving the way for CityPlace. "Strong mayors can make a lot of things happen," he says. "Nancy Graham [the city's first strong mayor] had the power to make decisions ... we were no longer making decisions by committee."

One of the first things Graham did after being elected was issue \$15 million in bonds to improve Clematis Street's infrastructure -- which had fallen into major disrepair through the '60s, '70s and '80s. "When I got here in 1989, 60 percent of the storefronts were vacant," Fountain says. "It was just a lot of derelict property. And not only was Clematis dangerous at night, it was dangerous in the daytime."

The infrastructure improvements succeeded in luring developer Renaissance Partners to the street, and the Clematis of today is largely a result of Renaissance's efforts. The firm, which has its headquarters on Clematis, bought its first two properties along the street (in the 300 block ) in 1993. Since then,

Renaissance has bought, redeveloped and sold about 10 mixed-use buildings that incorporate New Urbanism design concepts, with retail stores on the ground floor and residential units upstairs.

Most recently, the company paired up with North Miami-based American Land Housing Group to develop the Strand, a 275-unit, 15-story luxury apartment project (just off Olive Street in West Palm) that will include ground-floor retail, which is Renaissance's part of the deal.

"Sometimes you have to be an outsider looking in to see the opportunity," says Renaissance property manager John MacConnell. "We knew that the downtown needed a residential core, and one of the reasons that Clematis has been interesting is because of that opportunity for mixed use."

Stroll through CityPlace today and it's hard not to be a bit overwhelmed by the sheer magnitude. Sitting on 76 acres of land east of I-95 and housing 78 retail tenants, a movie theater, hundreds of residential units and a Publix supermarket, CityPlace is unlike anywhere else in South Florida. Developed at a cost of more than \$550 million, CityPlace is a bustling example of downtown West Palm's rebirth, and a rags-to-riches tale of real estate development.

The area where the new neighborhood now sits was once pretty rough--a "drug haven," according to long-time residents--and its metamorphosis was a long time in the making.

Years ago, two pioneer developers in West Palm failed to build their ambitious vision for downtown. Around 1988, developers David Paladino and Henry Rows realized that the only way to really change the urban core of West Palm Beach was to assemble enough property so that a brand new environment could be created. So the two, acting as a development team, started assembling property. "It was 76 contiguous acres on 26 blocks of land," says attorney Jim Brindell, who represented the developers in the deals. "In just more than a year they got contracts on all the property. It was the most amazing assemblage of land--literally hundreds of parcels, more than 300."

Rolfs and Paladino got approval from the city to build a mixed-use development that was to be called Downtown Uptown. But the timing was terrible, coming as it did during the nationwide crash of the real estate market in the late 1980s and early 1990s. Unable to obtain financing for construction projects, the two lost the land they'd assembled to mortgage foreclosures.

"There was no money to build anything," says Brindell, a shareholder in the West Palm Beach-based law firm Gunster Yoakley. "They had payments to make, and it was just killed."

But soon after, Nancy Graham became mayor of West Palm Beach and "saw that there was a real opportunity if the city could get control of the land," Brindell says. Eventually, the city got a \$21 million loan from the state, decided to buy the Downtown Uptown parcels, and began negotiations with a Finnish bank that held the mortgages on the property. The DDA's Fountain says it took three years for the city to gain control of the properties. "The bottom line is, they got control of the land and ended up issuing an RFP to find a good developer to do a project," says Brindell.

Enter CityPlace Partners, a partnership of four New York and Miami-based developers who came together to build CityPlace. They are Steve Ross, chairman and CEO of New York's Related Companies, Ken Himmel, CEO of The Palladium Company, Jerry O'Conner, CEO of New York's O'Conner Group and Miami luxury residential developer Jorge Perez of The Related Group of Florida. The partnership specializes in "entertainment-enhanced retail centers with residential components," says Jamie Selonick, who runs day-to-day CityPlace operations. CityPlace Partners won the bid to develop the land in 1996 and broke ground in December 1998. The city issued a long-term lease of the land to the developers and floated \$55 million in bonds to pay for infrastructure improvements and construction of a parking garage on the land. CityPlace opened in October 2000.

"One of the main things that attracted us to West Palm is that the city had already assembled the site," Selonick says. "To create something from such a large blank slate is something totally new and totally unique. We also knew that all the pieces were here for a successful development--geography, climate, tourism." So far, so good, and despite challenging economic conditions, Selonick says the retail part is more than 95 percent leased.

"I see CityPlace as successful, without question," says Terry Salzman, a retail analyst with Cushman & Wakefield. "Of course, it wasn't without its development issues, but when you have 600,000 square feet of retail space, you have better chances of success because of the size alone."

Salzman says CityPlace space leases for anywhere from \$30 a square foot to more than \$50, and thinks that bringing in a grocery store as a tenant was also a smart move, setting the development apart from similar ones, like Cocowalk in Miami-Dade. "From a retail standpoint in Florida, you can't go wrong with a Publix," he says. "It's the 800-pound gorilla of the place."

At the center of CityPlace is the Harriet Himmel Gilman Theater, a restored church originally built in 1924 that's now used for performances, weddings and parties. Selonick says CityPlace Partners was the only developer that planned to keep and restore the church. West Palm-based Hedrick Brothers Construction did the \$7 million restoration.

The residential component--headed by Perez, and made up of both rental apartments and condos--is also doing well. According to Perez, 90 percent of the apartments have been rented (for \$1,000 to \$3,000 per month), while virtually all the condos and town homes have been sold (for \$300,000 to \$500,000 each). So far, nearly 600 residences have been built at CityPlace, mostly apartments and condos. There are also 51 townhomes and 33 garden townhomes, all of which have been sold. Another apartment tower is planned, as well as 35 additional townhomes. Perez says market demand for the apartments is stronger than ever: "Today, we're leasing at triple the speed as at the beginning."

Selonick says CityPlace is still in the process of tweaking its tenant mix and is negotiating to bring in a couple of less expensive restaurants (there are currently 10, including a Cheesecake Factory, a Legal Seafoods and an upscale Italian eatery). The Palladium Company of New York also plans to build a hotel next to a city convention center under construction across Okeechobee Road from CityPlace, but has shelved its plan for the moment. "It's very difficult at this time to get financing for a hotel," Selonick says. "But we're confident that it will happen."

If the formation of a strong-mayor form of local government played a major role in the development of CityPlace, then it also has been a catalyst in the development of thousands of new residences in downtown West Palm.

"CityPlace doubled the size of the downtown," says the DDA's Fountain. "The real phenomenon is that in the entire 1990s, we built a little less than 300 residential units in downtown West Palm Beach. Between now and 2004, we will have another 2,500 built -- boom!"

According to a residential real estate report put out by the DDA, there are eight projects under construction, or soon to be under construction, in downtown West Palm, with three more in the planning stage. Toronto-based developer Kolter Properties, for example, is about to break ground on its \$100 million City Plaza condominium, scheduled for delivery in May of 2004, says John Tompson, vice-president.

The City Plaza condominium will rise just east of CityPlace, bounded by Okeechobee Road, Olive Street and Lakeview Drive. Unit prices range from \$200,000 to more than \$1.5 million. The first phase of the project, Tompson says, will consist of a 15-story, 296-unit tower. The second phase will be a 400-unit tower. In all, Kolter plans to build more than 1,000 units in the downtown. "The building that we're doing is really designed to be an urban building that you find in, say, New York," he says. "It appeals, we've found, to people who want to be self-contained in the sense that everything is on-site."

As for who's buying, Tompson says they're getting a mixed bag. "Actually there are several different markets," he says. "Everyone likes to single out the young professional, but I'm not sure that's who is the dominant buyer here. We're getting people who are coming over from Palm Beach, people who are looking to buy for their kids when they come down to visit. There are a lot of second-home buyers."

That's not who's buying at the \$18 million Magnolia Court, however, a townhouse project being developed by Delray Beach-based Ironwood Properties. "We have a different product," says Kerry Glickstein, president and founder of Ironwood. "Our buyer isn't interested in a condo, and we're not competing for condo buyers. We're targeting single families that want to move into an urban environment." Glickstein says his firm has presold about one-fifth of the 60 three-story town homes planned for Magnolia Court, at an average price of about \$400,000. "We can appeal to a lot of people who are working downtown," he says.

Another project of note is One Watermark Place by WCI Communities of Bonita Springs. Construction is well under way on the 15-story luxury condominium, with many units ranging in price from more than \$1 million to \$4 million. Delivery of the project, which borders the Intracoastal Waterway just north of Flagler Memorial Bridge, is expected by the end of the year.

But while the city has focused on luring residential development to the downtown, some say attention should shift to attracting new office development, along with Fortune 500-type companies whose workers would fill downtown apartments and condos year-round. Concerned that downtown homes will lure too many "snowbirds," or seasonal residents of South Florida, the developers of CityPlace have urged city leaders to hire a national real estate brokerage to attract corporate tenants.

"Operating a retail center in a seasonal market is always hard because sales are lopsided," says Selonick. "No doubt that if you strengthen the year-round market you have a much better market in which to work. Office buildings bring a lot of things. Our point is that if you don't have balanced growth, if it's all residential, you don't have a balanced community."

The CityPlace partnership itself had planned to build a 250,000-square-foot, 13-story office building across the street from CityPlace, but backed out because the market appeared too shallow. There hasn't been a lot of other new office construction, either. The last Class A building to go up was Waterfront Clematis a few years ago, says Tom Dean, a real estate analyst with Cushman & Wakefield. The office vacancy rate in the area is 15 percent, he says. "The market has been relatively stable in downtown West Palm," he notes.

It boils down to simple supply and demand, says Larry Pelton, executive director of the Business Development Board of Palm Beach County. "A developer who is going to make a large investment in a community is going to build what sells quickly," Pelton says. "Right now the hottest market in Palm Beach County is high-end residential real estate, which is selling really well. With the economy being slow, you just can't build speculative office buildings. There has to be substantial pre-leasing, and that just isn't happening." It certainly doesn't help that Palm Beach County was recently named the most expensive county in Florida in which to base a company, based on a study by New Jersey-based location consulting firm Boyd Co.

Another issue is the lack of housing that's affordable for the blue collar 9-to-5 worker, which has become difficult to develop in West Palm simply because property values have skyrocketed since the advent of CityPlace. "Our objective in the beginning was just to get housing, period, in the downtown," says Dan Cary, the city's planning director. "We've done that. Now we clearly need to try a little harder to make sure that the teachers, planners, engineers and government workers have opportunities to live here as well."

"People are going to have to pay more for the urban environment than the suburban," says Related's Perez. "Miami is used to that, but here [in West Palm Beach] it's a learning experience. Still, we want to make it friendlier to all classes. The shops at first were high-end. Now we're concentrating on bringing in tenants to satisfy a whole range of [budgets]. We want to make it a total experience for all kinds of people."

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Long before he and three partners created CityPlace in West Palm Beach, Jorge Perez was a vocal advocate of urban developments that blend homes and businesses. [Why, then, is CityPlace the first such project that he and his partners developed in South Florida? Perez credits the city government.](#)

["This came about because they had the land, the vision and the courage to do it--to tax people and do a bond issue," says Perez, CEO of the Miami-based Related Group of Florida, one of state's leading residential real estate developers. "I say courage because people don't like to be taxed and they like the status quo. It was hard to envision this."](#)

Once local government officials got on board, however, the task of marketing what amounted to a new South Florida real estate concept fell to Perez and his partners in CityPlace.

"I think when you do things that are new, there's a teaching process that goes on," says Perez. "Ten years ago if you said you'd get people to live in the downtown, they'd say you're nuts. We're so used to a large home on a one-acre lot with an hour-and-a-half commute. So you have to educate some of the leaders, the ones who try new clothes, so to speak. Once there are enough of them, the others follow ... Then you get a South Beach, or a SoHo."

Part of the educational struggle came down to pricing, [convincing people that it's worth more to reside in a revitalized downtown.](#) "You might pay \$1,200 for a one-bedroom apartment here, when you can get the same one bedroom three miles down the road for \$700. But then you can walk to, and be in, an

environment like this."

Then there is the bigger picture. "You have shorter commutes and more interaction with people. Human civilization dies in a suburban environment. Ideas are not shared," says Perez, who majored in philosophy as an undergrad college student.

"There is nothing worse you can do than to keep building one-acre suburban homes. They create pollution, require government subsidies, drain the aquifer, and destroy the environment... I hope I had a little to do with making the city popular in South Florida."

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