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March 18, 2009**SQUARE FEET**

A Promising Miami Revitalization Project Is Stalled ?

By [TERRY PRISTIN](#)

MIAMI — The 56-acre tract of land known as the Buena Vista railyards was only two miles north of the city's central business district and three blocks west of Biscayne Bay. But for decades it was a blank rectangle on the map, an industrial wasteland littered with thousands of cargo containers waiting to be transported to the Port of Miami.

Today, a new, distinctly urban neighborhood known as Midtown Miami has sprouted on the site, which was until only recently the largest remaining undeveloped piece of land in the city's core. The new development has 470,000 square feet of multistory retail space, including big-box stores, with nearly 3,000 indoor parking spaces; about 1,000 residential units in three high-rise buildings; and tree-lined streets that are connected to the grid of the surrounding neighborhoods.

Like many real estate projects initiated during the recent real estate boom, Midtown, bounded by 29th and 36th Streets and by North Miami Avenue on the west and Northeast Second Avenue on the east, has fallen short of its original goals.

The shopping center draws customers from a wide radius but is now grappling with extensive vacancies. Condominium units were built just as developers were flooding the market from Brickell Avenue to the Biscayne Corridor with residential skyscrapers — nearly 23,000 units in all since 2003, according to Peter Zalewski, owner of Condo Vultures, a local brokerage company.

And the development of a central entertainment center with a movie theater and a row of restaurants has stalled.

Though it may be years before the heavily subsidized Midtown development fulfills its ambitious expectations, the project has won praise for helping knit together two other neighborhoods: the Wynwood arts district to the south, where art galleries have taken root in low-rise industrial buildings, and the Design District to the north, with upscale furniture shops and restaurants.

"It's an interesting case study of how you can regenerate a space that's been vacant — that has made no contribution to the neighborhoods around it — into something more vibrant," said Bernard Zyscovich, a Miami architect and urban planner who developed the master plan for Midtown and designed one of the buildings. "It's like an infill project on steroids."

Midtown Miami embodies many ideas for which Mr. Zyscovich, who created the redevelopment plan for Lincoln Road, the popular shopping strip in Miami Beach, is known. Most of the parking is concealed inside

buildings. Each building was designed by a different architect. About 40 residential units (not yet occupied) were built on top of stores.

The Midtown concept began to take shape after Mr. Zyscovich was commissioned by the city to study a wide swath of Miami between Biscayne Bay and Interstate 95 stretching from I-395 to 81st Street, an area that included the railyards. The study led the [Florida](#) East Coast Railway to sell the railyards for \$34.5 million to two private real estate executives: Michael Samuel of Miami and Joe Cayre, the chairman of Midtown Equities, based in [Manhattan](#).

In turn, the partners nearly recouped their investment by selling half the land to Developers Diversified Realty, or D.D.R., a real estate investment trust based in Cleveland, with 710 shopping centers around the country. (In 2007, Mr. Samuel sold his minority interest to the Bayrock Group of New York.)

The developers received substantial government help, including \$170 million in bond financing to defray the cost of the parking garage and sewers, utility lines and other infrastructure. The subsidies required them to move quickly on the project. "I've never seen one that came together faster than this one," said Neisen O. Kasdin, a lawyer who specializes in Miami land-use law and who represented D.D.R.

The opportunity to create the Shops at Midtown appealed to D.D.R. because it was a departure from its usual suburban format. "It had to be an urban project," said Paul W. Freddo, a senior executive vice president. "And it was the last great piece of dirt in the city."

The \$145 million shopping center, whose tenants include Target, Loehmann's, Marshalls and West Elm, draws customers not just from Miami but also from Miami Beach, a short drive away via the Julia Tuttle Causeway across Biscayne Bay. It is also a few blocks from I-95. Until the Shops at Midtown opened in 2006, residents of both Miami and Miami Beach had to travel to the suburbs to find this type of shopping.

Besides filling a demand for more convenient superstore retailing, the Shops at Midtown has changed shopping habits in Miami, said Stephen H. Bittel, chairman of the Terranova Corporation, a retail real estate company.

"The retailers are bringing in people from different neighborhoods that heretofore shopped separately," he said. "That was part of the urbanization process that was difficult when Midtown opened. Then everyone got used to it."

Mr. Bittel represented a Canadian furniture retailer that recently opened a store on North Miami Avenue, just opposite the shopping center — a sign, he said, that the shopping center was upgrading the surrounding area.

But the bankruptcies of Circuit City and Linens 'n Things have emptied sizable spaces at the shopping center, leaving it only 76 percent occupied, Mr. Freddo said. At the same time, some larger tenants are exercising their right to get an adjustment in the rent because of the vacancies. Mr. Freddo said the company now had an opportunity to replace weak retailers with strong ones, but brokers said that might be hard.

"Backfilling a good Circuit City location in this environment is going to be difficult," said Jeremy S. Larkin, chief of NAI Miami, a real estate firm.

Posing even more of a challenge is the residential portion of the project, which is aimed at a less affluent market than many downtown projects. About one-third of the 3,000 units planned for the site have been built in two condominium buildings and a rental building.

The first to rise was 2 Midtown, with 455 condos. Designed by Mr. Zyscovich, it combines into one structure a 31-story high-rise, a midrise with 11 stories and a lowrise with seven stories of stacked town houses. "It is a way of making single-block development look more organic, more intuitive," Mr. Zyscovich said. He said he was disappointed that the buildings were built in "hopscootch" style, with empty lots separating them.

Like condo projects everywhere, Midtown has experienced a sharp decline in values. In 2007, 248 condos at 2 Midtown sold for an average of \$404 a square foot, according to CondoReports.com, a Miami research service. By the first quarter of this year, the price had slipped to \$275 a square foot.

In July, the Cayre family bought about 300 units at Midtown at a discounted price with backing from investors in Dubai, said Jack Cayre, one of four Cayre sons involved in the project.

The Cayre family and its partners own about half the units at Midtown, he said.

Jay Massirman, president of the Massirman Group, a Miami company that buys distressed property, said the Cayre family's willingness to hold onto a large chunk of units at Midtown until the market recovered was a sign of confidence. "They believe in their project," he said. "There's an irreplaceable aspect to what they built."

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