

The Palm Beach Post

November 29, 2021

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West Palm Beach development: Big-box retailer, high-rise apartments are coming



The former Russo's Submarine Shop 415 S. Dixie Highway in West Palm Beach, Florida on April 14, 2021.

GREG LOVETT/PALM BEACH POST

Alexandra Clough

A big-box retailer could be coming to downtown West Palm Beach as part of the redo of nearly an entire city block into apartments and stores, the latest sign of the city's continued attraction to major real estate players.

In September, WPB Fern Holdings LLC, a partnership of L&L Holding Company, Wexford Real Estate Investors (WREI) and 13th Floor Investments, paid \$26million for prime downtown land. The 2.2-acre assemblage encompasses nearly a full city block bounded by Fern Street, Gardenia Street, South Quadrille Boulevard and South Dixie Highway.

The planned project, on land that once included the beloved Russo's Submarine Shop, will include a high-end apartment complex with hundreds of apartments, rising up to 25 stories. Stores will be on the ground floor.

Alex O'Connor, a senior vice president with New York-based L&L Holding, said efforts are afoot to court an unnamed big-box store to the site. He did not disclose names but said "everything is on the table." Restaurants also are being sought.

"It's an exciting location, catty-corner from Brightline," O'Connor said, referring to the train's nearby station.

It's also one block from The Square, the mixed-use complex formerly known as CityPlace and most recently, Rosemary Square.

Property has size, attractive location in downtown West Palm Beach

O'Connor said the combination of the property's size — nearly an entire block from Dixie Highway to Quadrille Boulevard — and its location in an urban core is atypical.

"It's unusual to be able to have a prime property at that scale in the true core of downtown," O'Connor added. "To our knowledge, it's the only site big enough for a big-box retailer."

Plans are to build a high-rise apartment building constructed "to a higher standard" than currently exists although he wouldn't elaborate on specific attributes. "We think there's a market for that as more high-quality jobs arrive to the city," O'Connor said.



Artist's rendering of proposed One Flagler office tower at Okeechobee Boulevard and South Flagler Drive.

Handout

L&L is known for its redevelopment or new construction of high-rise office buildings in New York. Among its projects there: 425 Park Avenue, the first full-block office development on Park Avenue in more than 50 years.

The West Palm Beach housing and retail project is L&L's first new construction project in West Palm Beach and its second in South Florida. Last year, L&L and Carpe Real Estate Partners assembled a 2.85-acre parcel in Miami's Wynwood Arts District.

In December, an entity linked to L&L co-founder Robert Lapidus, paid \$46.8 million for the Central Gardens Grand Apartments in Palm Beach Gardens, according to the Palm Beach County clerk's office.

City rides wave of new growth

The remake of the downtown West Palm Beach block reflects the wave of new construction and investment pouring into West Palm Beach.

Major investment in West Palm Beach began in 2000, with New York's Related Cos.' development of the former CityPlace along Okeechobee Boulevard.

During the past two decades, regional and eventually some New York-area developers moved in to build or buy properties, ranging from offices to high-end condominiums and apartments.

Since the coronavirus pandemic last year, however, the investment trend has exploded after the unexpected migration of residents and companies from New York, the Midwest and even California to Palm Beach County. Now the nation's top developers and financiers all are vying to get a piece of the city's hot real estate market, which sits across three bridges from ritzy Palm Beach.

Many of these moguls already own homes in the county, but now they don't just want to sun worship here. They want to do business here, too.

As a result, "West Palm Beach is the billionaires' sandbox for real estate," said Peter Reed, managing principal of Commercial Florida Realty Services in Jupiter.

Miami Dolphins owner already a player in West Palm market

Adam Metzger, L&L principal and senior vice president, said the company had been looking to diversify its holdings in Florida since early 2019.

L&L already plans to build an 800,000-square-foot, mixed-use development in Miami's Wynwood district. The project will feature an office tower, indoor-outdoor retail space and apartments. A key element is a lushly landscaped, 25,000-square-foot plaza that will be open to the entire community, Metzger said.



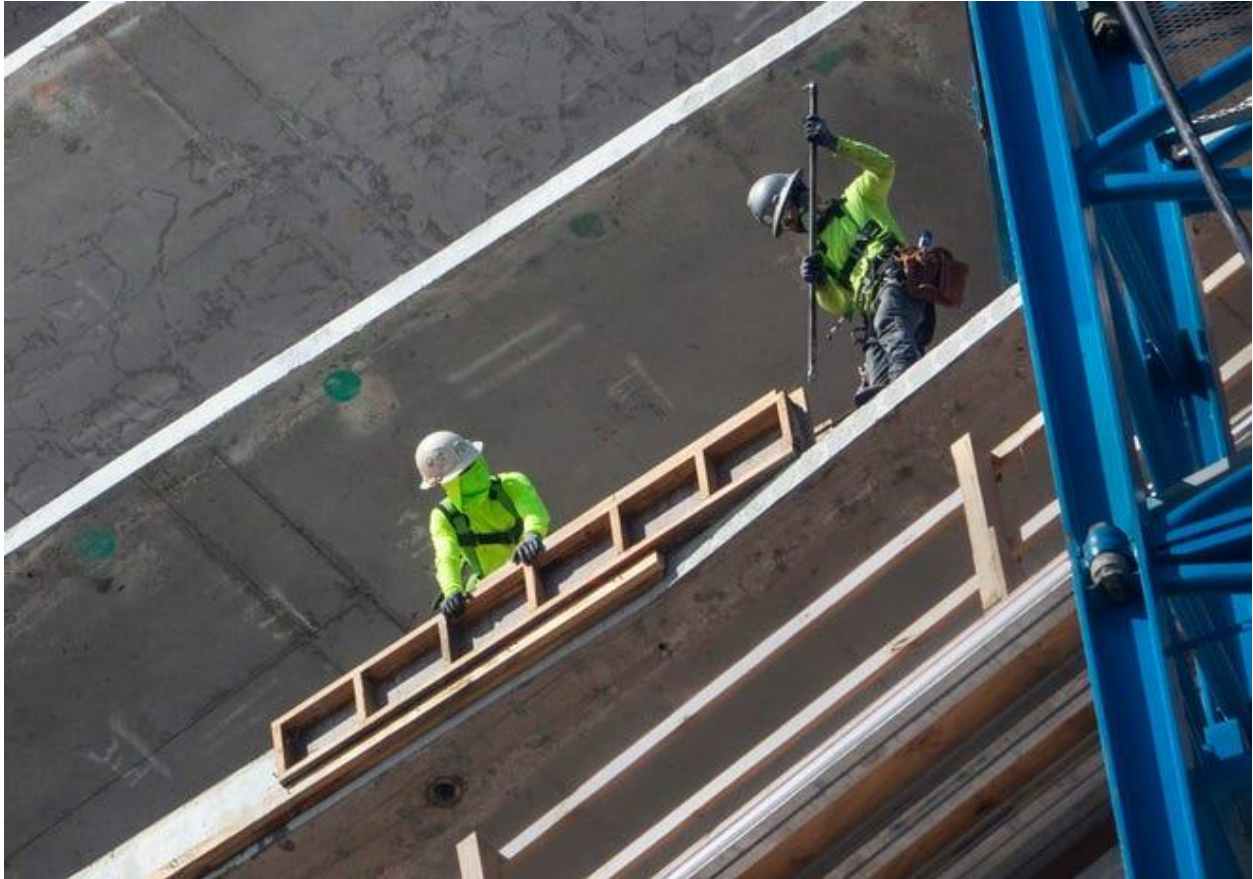
“Material (SG) II”, the new sculpture by British Nigerian artist Yinka Shonibare, sits outside the 360 Rosemary office building in downtown West Palm Beach Thursday, Aug. 12, 2021. The sculpture was commissioned by the City of West Palm Beach Art in Public Places Program and the Related Companies, which built the 300,000 square-foot, 20-story building. *Lannis Waters, (LANNIS WATES / THE PALM BEACH POST)*

But when it came to getting a piece of the real estate pie in downtown West Palm Beach, L&L realized other developers already had pounced on the office market.

Related, led by billionaire developer and, Miami Dolphins owner Stephen Ross, recently completed the 360 Rosemary office building. Related just began construction on the One Flagler office building and has plans to build at least one more office tower downtown. Related also bought the downtown's three existing prime office complexes: Phillips Point, Esperante and CityPlace Tower.

Meanwhile, billionaire Jeff Greene is building One West Palm — twin 30-story towers at 550 N. Quadrille Ave. that will feature office, apartments and a hotel. And another billionaire, Charles Cohen, is working on a plan to build a landmark office tower on the city-owned "tent site" property, a 2.4-acre parcel where Okeechobee Boulevard meets South Dixie Highway.

All three billionaires own homes on Palm Beach.



Workers remove concrete molds as work continues on One West Palm, billionaire real estate developer Jeff Greene's twin-tower complex in downtown West Palm Beach Monday, November 22, 2021. One West Palm, at 550 Quadrille Boulevard, is slated to feature apartments in one tower plus office space and a hotel in the second tower in downtown West Palm Beach. LANNIS WATERS/THE PALM BEACH POST

The presence of other developers so far ahead in the office game prompted L&L to pivot to other uses. High-end apartments were a good fit for the downtown block, Metzger said. L&L joined with local investors and developers in the deal. Among them: West Palm Beach-based Wexford Real Estate Investors. The project marks Wexford's first West Palm Beach venture.

Also partnering in the project is 13th Floor Investments, a Miami-based company that is building homes throughout South Florida. The company already is working with Wexford Real Estate Investors in a mixed-use community in Delray Beach. The project includes more than 600 apartments, retail space and for-sale townhouses.

Popular sub shop once anchored site

Russo's, a longtime, beloved eatery at 415 S. Dixie Highway in West Palm Beach, closed in 2016 after sub shop owner Dan Russo sold his property to a group seeking to build a project dubbed the Cosmopolitan.

That office-hotel complex never got off the ground, however, and the property wound up with new ownership that ditched the office component but planned to build 204 hotel rooms, 143 apartments and a rooftop bar. But that project never came to fruition, either.

Now WPB Fern Holdings owns the former Russo's site as well as the rest of the block stretching west. O'Connor said planning for the project still is in the works, so the number of apartments isn't yet determined. He also said it's too early to know the apartments' size or monthly rents. He did say the high-rise apartment complex will feature a large amenity deck.

Not part of the sale, however, is the building that houses Johan's Joe Swedish Restaurant and Wine Lounge. The popular coffee destination and eatery at 401 S. Dixie Highway will stay.



A northbound train arrives at the Brightline station in downtown West Palm Beach as the passenger service resumed between Miami and West Palm Beach Monday, November 8, 2021 after it was suspended in March 2020 because of the pandemic. LANNIS WATERS/THE PALM BEACH POST

O'Connor is particularly keen on the site's proximity to the Brightline passenger train, which once again is operating to Fort Lauderdale and Miami. The train is an added lure for people who want to live in West Palm Beach but may work in or travel to cities to the south.

Also adding to West Palm Beach's appeal is the recently announced plan to create a University of Florida campus downtown. O'Connor said the company's real estate purchase already was underway when the UF deal was announced, but he said the prospect of programs in finance and technology further add to the city's appeal and its efforts to generate high-quality jobs.

Reed said the idea of building high-end apartments in downtown West Palm Beach makes sense. With Goldman Sachs, Paul Singer's Elliot Management and other top companies bringing hundreds of well-paid workers to West Palm Beach, not everyone will be able to buy a mansion on Palm Beach or want to live in a country club outside the city.

Some employees will like the idea of living in a high-end rental apartment complex in an area brimming with restaurants, bars and other activities. Even if the rent is several thousand dollars a month, their money still goes farther in Florida than in other states because Florida has no income tax, Reed added.

What else is on tap for the city?



The nora district is to be proposed along N. Railroad Avenue and home to hip restaurants, bars, shops, and apartments in West Palm Beach, Florida. Danieli World Gallery at 925 North Railroad Avenue. *GREG LOVETT/THE PALM BEACH POST*

Other major projects also are in the works for West Palm Beach.

North of the downtown, a group that includes a Wynwood pioneer, Miami's Place Projects, plans to build on a newly created city district dubbed Nora. Place Projects is partnering with West Palm Beach-based NDT Development.

Nora, which stands for North Railroad Avenue, will feature shops and restaurants in the warehouses along the railroad track, plus apartments and eventually office space. Nora stretches from Palm Beach Lakes Boulevard on the north end to 7th Street on the south.

Separately, the long-planned Transit Village development in West Palm Beach has a group of new, heavyweight investors. Globe Invest Limited, the investment arm of billionaire entrepreneur Teddy Sagi, has signed on as an investor in Transit Village, a transportation-based, mixed-use development project covering 10 acres on Clearwater Drive and South Tamarind Avenue.

In addition, Related Group, the Miami-based builder of apartments and condominiums, has also agreed to invest in Transit Village. And so has BH Group, a Miami-based private equity and real estate investment firm.