dbr DAILY BUSINESS REVIEW

Why Miami Developer Swerdlow Pivoted to All-Affordable Housing for Overtown Project

Michael Swerdlow raised the curtain on his Sawyer's Landing project, his start in real estate and the coronavirus pandemic's impacts on various asset classes.

By Lidia Dinkova | January 25, 2021

Michael Swerdlow spills the beans on Sawyer's Landing, a 578-unit affordable housing project with Target-anchored retail in Miami's Overtown. Courtesy photo.

Never let it be said that Miami developer Michael Swerdlow didn't think through his Overtown project.

He reinvented his vision for Sawyer's Landing a couple of times before opting to make all 578 units affordable and for renters 62 and older.

"It was a confluence of everything. It was the pandemic. The fact that there is an abundance of market-rate residential buildings being built in the area. So, why compete if you don't?" Swerdlow said. "It's very easy to lease an affordable apartment. There are four or five tenants lined up for every affordable apartment. It's more predictable."

Swerdlow has been in real estate since the early 1980s, focusing on every asset class, and Sawyer's Landing won't be his last endeavor. He has plans for another Miami multifamily project that could include retail, but specifics will be revealed after Sawyer's Landing breaks ground May 1.

Swerdlow is founder and CEO of Miami-based Swerdlow Group and has had a hand in defining Miami-Dade County projects, including Dolphin Mall in Sweetwater and Biscayne Landing in North Miami.

Sawyer's Landing is a $320-million endeavor on a 3.44-acre site at 249 NW Sixth St.

The site also is known as Block 55 — subject to a dispute over who has development rights.

Preeminent Black developer R. Donahue Peebles and entrepreneur Barron Channer were in line to build out Block 55 but the city terminated their development rights, and they sued Swerdlow alleging backroom deals butted in on the site.

Last September, Swerdlow won summary judgment on the Peebles-Channer breach of contract claim and, on the same day, paid $10 million to the Miami Southeast Overtown/Park West Community Redevelopment Agency for the site.

Read more:

Swerdlow Moves Ahead With Housing on Disputed Miami Overtown Block 55 (https://www.law.com/dailybusinessreview/2020/09/15/swerdlow-moves-ahead-with-housing-on-disputed-miami-overtown-block-55/)

Swerdlow's Sawyer's Landing partners are Stephen Garchik of SJM Partners, with offices in Delray Beach and Virginia, and Alben Duffie.

Here's what Swerdlow said about the Overtown project, his past work, future plans and the coronavirus pandemic's impacts on real estate.

Give us the scoop on Sawyer's Landing.

At first, the plan was for a 200,000-square-foot retail center with up to 100 rental units, but this was revised to 350,000 square feet of retail and 500 units, some of them affordable, Swerdlow said.

Then the pandemic happened.

"When we realized the world is changing, No. 1 we noticed there was a tremendous need for affordable housing and we noticed the retail business is changing as a result of COVID," Swerdlow said. "I really had to rethink the whole project."

The retail portion was downsized to roughly 250,000 square feet and rental units increased to 578, all affordable for elderly residents. Renters who earn 60% of Area Median Income qualify.

The 50,000-square-foot Target is on the ground floor, and a 1,000-spot garage sits on the second to the fifth floors. Floors six and seven are retail with some of the spaces leased to Aldi, Ross, Burlington and Five Below, while the other is yet to be leased.

There also is restaurant space on the ground floor but these leases will be signed last, Swerdlow said.

Where did you start your real estate career and in what aspect specifically?

"In New York, and I was creating net leases a very long time ago and selling them to pension funds. It was a very specialized business then. Nobody knew about it," Swerdlow said.

When Swerdlow did a series of leases for a subsidiary of now-defunct supermarket chain Food Fair that filed for bankruptcy, he realized they were useful in a bankruptcy.

"I got an idea that the leases they had were very valuable. I got an idea that they could sell the leases in the bankruptcy. No one had ever done that before," Swerdlow said.

To illustrate the business model, Swerdlow gave a hypothetical: The market rental rate is $6 per square foot, but a store is paying below this at $2 per square foot.

"Someone is going to pay you the capitalized value of $4 a foot," he said. "I got in the business of liquidating the real estate of bankrupt retailers. Food Fair, for instance, had reserves of their real estate of $600 million to $700 million and, instead of a negative of that amount, they got $2.5 billion for their real estate and I ran those sales."

What prompted you to make a move on South Florida and when?

In 1988, Swerdlow with a group of partner institutions, including the Lehman Brothers, acquired South Florida real estate investor and developer Hollywood Inc., which had a lot of vacant land holdings and halfway-finished projects.

"Just after we bought it, they had the late 1980s real estate recession. The only way out for us was to develop all the vacant land. That resulted in building 10 million square feet of retail, industrial and more," Swerdlow said.

They include the Oakwood Plaza in Hollywood. Subsequently, Swerdlow converted the company to Swerdlow Real Estate Group, a real estate investment trust that co-developed Dolphin Mall, as well as nearby four million-square-foot Beacon Tradeport industrial park.

Swerdlow eventually wound down the REIT, paying back all the investors, bringing him to his present day Swerdlow Group, which he founded and serves as CEO.

How has COVID-19 impacted each asset class in South Florida?

"It depends on the type of real estate," Swerdlow said. "Nobody really understands the future of the office. Let's start with that. And the reason they don't understand is because people seem to be working from home a lot and they are surviving. I think it would be an act of great courage to build an office building today."

A more secure asset class is industrial, given its growth because of e-commerce.

"So if you have good industrial product and land, it would be wise to build industrial, in my opinion," he said. "The second market that's extremely good is residential because we need more rental and definitely need more workforce and affordable rental."

As for retail, it depends on the type of business. Small businesses are having the hardest time.

"I am very sorry about it but this pandemic really struck at the heart of small, independent businesses. It's been coming a long time and the internet hasn't helped," Swerdlow said. "So if you are going to be in the retail business, you want to be in the highest of high-credit tenants and you want to tailor it to something that's really needed in the neighborhood."

That's why the anchor at Sawyer's Landing is Target, as there isn't one in Overtown and it's close to public transit hubs, including Metromover and Metrorail stops, as well as MiamiCentral, the downtown Miami stop for Brightline passenger trains.

Swerdlow expects to draw shoppers who work in downtown and surrounding areas.

"The site has fantastic transportation possibilities, which gives tenants an opportunity to go well beyond the neighborhood," he added. "If you need a Target store, I can't think of anything more convenient than this one."
