

April 19, 2023

REAL ESTATE NEWS

Exclusive: Miami developers reviving long-stalled plan for hotels on Watson Island

BY ANDRES VIGLUCCI AND JOEY FLECHAS

UPDATED APRIL 19, 2023 8:29 AM



After 20 years of stalling, real estate partners buy lease, intend to move ahead with hotels, shops, a public promenade on city-owned land on Watson Island.

Shortly after the 9/11 attacks, the city of Miami made a deal with a developer for a massive luxury resort hotel, shops and a superyacht marina on Watson Island, the prime public land on the MacArthur Causeway that's been a graveyard for the ambitions of many a builder and elected official.

Flagstone Property Group's floundering Island Gardens proved no exception to the Watson Island curse.

After 22 years of missed payments, blown deadlines, broken promises and costly litigation, Flagstone principal Mehmet Bayraktar is giving up, having built only the marina while failing to turn a single shovelful of dirt on two hotel towers, gardens and promenade, parking garage or retail complex he promised city residents and officials.

But the project that critics have long derided as a public boondoggle may yet rise from the dead.

Flagstone has sold its long-term city lease for nearly 11 acres of vacant land facing downtown to a new venture whose partners, including Miami Worldcenter managing partner Nitin Motwani and his brother, Fort Lauderdale developer Dev Motwani, say they will deliver on the project's unfulfilled promises.



Watson Island, prime public land on the MacArthur Causeway, is home of the Yacht Haven Grande Miami marina. After many years of litigation, new developers including Miami Worldcenter managing partner Nitin Motwani and his brother, Fort Lauderdale developer Dev Motwani, are taking over the city lease for nearly 11 acres of vacant land facing downtown. Pedro Portal pportal@miamiherald.com

Unlike the obscure Bayraktar, a Turkish developer who had a slim-to-nonexistent record in the U.S. before snagging the Watson Island lease with a competitive bid and securing Miami voter approval for the project, the new partners have been involved in financing and building significant developments in South Florida and elsewhere. Worldcenter, which encompasses 10 blocks and 27 acres of high-rise condominiums, apartments and shops north of downtown, has been touted as the largest real estate project in Miami history and one of the biggest ongoing developments in the country.

The Motwanis and their partners acknowledge they have assumed responsibility for an ambitious, complex development plan marked by a high profile and significant potential, but also extensive public implications and widespread skepticism given Flagstone's prolonged failure to execute. The scrubby site, on the western edge of the island, is likely the most valuable piece of undeveloped land in the city. "People are frustrated with the history of the site. It's complicated," Nitin Motwani said Tuesday in a joint interview at the island development site with his project partners. "But it's not our history. You have a team here that will execute."

The new leaseholders declined to disclose the financial terms of the deal with Flagstone. A public filing shows the Motwanis' partners in the deal, BH3 Management, took out a mortgage for \$50 million, which the partners said represents only a portion of the value of the Flagstone lease buyout. City administrators have approved the lease transfer to the new partnership.

City Manager Art Noriega told the Miami Herald he did not have details of the new team's plans. He said voters would need to approve any major alterations.

"A referendum would be required, if substantial changes were made," he said.

Flagstone representatives did not respond to requests for comment.

NEW FACES

BH3 co-CEOs Daniel Lebensohn and Greg Freedman said they had been courting Bayraktar for a couple of years in hopes of securing a deal for the Watson Island property. "I think the family realized that someone else needs to carry the ball forward on this," Freedman said. "In terms of experience, this team has a long rap sheet of execution — in a good way. We are really good at complex situations."

Added Lebensohn: "Our intent is to make things happen. No one likes the fact this has been sitting here for so many years."

Under the buyout agreement, which closed April 13, the new partners will take over the existing 75-year lease on the property and are responsible for paying the \$2 million annual rent to the city. They said the buyout does not include the busy marina, which is now part of a separate city lease with IGY Marinas. Once they finish building, the city will take a 7% share of annual revenue from the development.

The Flagstone plan for the upland property, last modified with city approval in 2019, calls for two hotels, extensive retail, a parking garage and a 100-foot-wide public promenade stretching the property's full length of more than 900 feet along Biscayne Bay. The city is requiring a new fish market to replace the popular venue Flagstone controversially demolished two decades ago when it took over the land.

BUILDING MORE THAN A YEAR AWAY

The project's new development partners say they intend to stick with the approved concept's requirements, including the hotels, retail, fish market and public promenade, but are likely to take a fresh look and consider modifying some aspects of the plan to meet current real estate market demands. They are working on ideas but have no details finalized, they said. Nitin Motwani said "everything is on the table," including potentially office space.

“Miami has evolved and the market has evolved,” he said. “I don’t know of a better site in Miami. We feel we can do something very special here. It’s got this view, and all the beauty and opportunity that Miami has to offer.”

The team doesn’t expect to start building soon. Pre-development planning and design work will take at least a year and a half, they said.

The new partners in the Island Gardens project on Watson Island are a joint enterprise made up of Merrimac Ventures, the Motwani family firm chaired by the brothers’ mother, Ramola Motwani, and BH3 Management, a Fort Lauderdale real estate investment group that’s built or partnered on significant commercial and residential projects in Broward and Miami-Dade counties. They include the twin Prive condo towers on an island in Aventura, and in New York City.

As managing partner at Miami Worldcenter Associates, Nitin Motwani certainly has experience in battling development headwinds and public doubt. It took that elaborate and ongoing project, first approved in 2007 during the administration of Miami Mayor Manny Diaz, 15 years to bear first fruit.

Worldcenter principal Art Falcone began assembling property in the city’s derelict Park West district, north of downtown, in 2004. He continued acquiring lots, most at relatively cheap prices, until he had amassed enough to secure approval of an ambitious master development plan from the city they said would produce Miami’s version of Rockefeller Center.

It soon ran into significant obstacles in the form of an economic crisis, litigation from former partners, activists and neighboring property owners, blueprint redesigns and the withdrawal of Macy’s and Bloomingdale’s from the project, among other issues. The partners had trouble raising money for development until developers and investors CIM Group out of Los Angeles joined the venture in 2019 with deep pockets, experience and industry connections.

Today, Miami Worldcenter comprises over a dozen separate projects completed, under construction or in planning, with around 5,000 apartments and condos. The development includes 21 planned and completed towers. About 300,000 square feet of ground-level shops, dining and entertainment space is built around plazas and streets open to pedestrians. The total value of investment in Worldcenter is estimated at \$4 billion.

Worldcenter Associates has built some projects itself, including the freestanding retail space, and partnered with other developers, including Related Group and Royal Palm Companies. The Motwanis’ Merrimac, which redeveloped the Las Olas riverfront in Fort Lauderdale, has bought the last three undeveloped lots from Worldcenter Associates and is building apartment towers on them.

Unlike the public-private Island Gardens planned development, Worldcenter has been a fully private enterprise.

TWISTED FLAGSTONE SAGA

Despite the property's obvious value and allure, though, the Flagstone saga has been one of constant twists and turns, some of them bordering on the absurdly comical, as a succession of city officials appeared to bend over backward to indulge Baryaktar, as he fell behind on rent payments and requested extension after extension for the start of construction.

The project seemed bedeviled from the start. Baryaktar, the scion of a wealthy Turkish family whose father was jailed amid a bank crash, won a bid over such experienced developers as Michael Swerdlow and Swire Properties, builders of Brickell Key and later Brickell City Centre.

Voters overwhelmingly approved the deal in 2001 between Flagstone and the city just two months after the September 11 terrorist attacks, but the aftermath and an economic recession made financing the project all but impossible. A lawsuit from nearby Venetian Island residents worried about noise and other effects from the project delayed it for three years before Flagstone prevailed.

But Baryaktar also seemed incapable of raising the needed financing for a project whose price tag climbed steadily, and he kept falling behind on rent payments to the city. Though increasingly frustrated, city commissioners granted numerous extensions and, at one contentious hearing in 2009, took a break while Baryaktar phoned his father in Turkey to wire him a six-figure check to cover overdue rent.

The city imposed a 2010 deadline before it would offer the property to other developers, but that passed and Baryaktar still did not produce — and still kept control of the property. In a bizarre scene that year, a Flagstone lobbyist dangled a \$200,000 check in front of city commissioners at a public hearing to persuade them to grant yet another rent extension, which they did.

In 2013, Related Group founder and real estate developer Jorge Perez considered joining the venture, but decided not to, citing concerns about traffic impacts on the causeway and Miami Beach.

A year later, with no evident work after another series of rent extensions, Miami officials gave Flagstone what they said was one last do-or-die chance to start construction. But Flagstone insisted construction had indeed begun because the developer had sent a diver out to map and survey corals and sea grasses to be moved or replaced in the bay in preparation for dredging for the marina. The city's legal staff agreed that constituted the start of work.



View of Watson Island, where developers Nitin Motwani, managing partner of Miami Worldcenter, his brother, Fort Lauderdale developer Dev Motwani, and their partners are taking over the long-term city lease for nearly 11 acres of bayfront land and promising to deliver the long-stalled mixed-used development. Pedro Portal pportal@miamiherald.com

The marina finally opened in 2016. Baryakter promised the resort soon would follow. It didn't. A pricey, popular party-style restaurant at the marina, The Deck, operates out of temporary trailers.

In 2017, finally fed up, the city commission voted to terminate the lease deal with Flagstone, declaring the developer to be in default. But all those extensions and declarations by the city that Flagstone had met their conditions came back to bite the city. Flagstone sued the city for \$122 million, and won.

Facing a potentially ruinous judgment, the city had no choice but to reinstate the Watson Island deal, and in 2019 agreed to pay Flagstone \$20 million to settle the lawsuit.

WATSON ISLAND STRUGGLES

Island Gardens isn't the only private endeavor on Watson Island to stumble.

The artificial 86-acre island, deeded to the city in 1919 with the condition it be used only for public purposes, has a checkered history. What precisely that constitutes has long been a bone of contention, especially after the city moved to begin capitalizing on the prime location by courting deals with developers in the 1980s.

For decades the island, bisected by the causeway and its noisy traffic, was occupied by a Goodyear Blimp base, a small Japanese garden, a couple of small yacht and sailing clubs that are still in operation, and a tiny seaplane terminal for legendary Chalk's International Airlines.

City-sponsored redevelopment schemes have met with limited success. The iconic Parrot Jungle attraction moved in 2003 from what is now Pinecrest to Watson Island, but struggled to attract visitors or generate revenue, requiring the city to bail out its operators.

After new owners took over what's now known as Jungle Island, they began converting the park into an eco-adventure resort, with voter-approved plans for a hotel that has yet to be built. The Ichimura Japanese Garden, part of the Jungle Island lease, remains little known and little visited.

Meanwhile, plans for a heliport and an expansion of a seaplane operation at the Chalk's terminal have not panned out.

Only the nonprofit Miami Children's Museum has thrived.

Nitin Motwani said he is all too aware of the obstacles he and his partners will have to overcome. But he is confident they will succeed where others have not. What they have going for them, he said, is the apparently voracious global appetite for Miami.

"We are not under the impression this is going to be easy. But we are well prepared to do it," he said. "We think the time is right for Miami and for this project."

This story was originally published April 19, 2023, 5:30 AM.



ANDRES VIGLUCCI



Andres Viglucci covers urban affairs for the Miami Herald. He joined the Herald in 1983.



JOEY FLECHAS



Joey Flechas covers government and public affairs in the city of Miami for the Herald, from City Hall politics to neighborhood news. He was part of the team that won the 2022 Pulitzer Prize for reporting on the collapse of a residential condo building in Surfside, FL. He previously won a Sunshine State award for revealing a Miami Beach political candidate's ties to an illegal campaign donation. He graduated from the University of Florida. He joined the Herald in 2013.