

# DAILY BUSINESS REVIEW

## Blue Road's Niche: Reviving Historic Hotels, Apartments in South Beach



J. ALBERT DIAZ

Blue Road put about \$27 million into the Berkeley, which included a 10-story tower erected in place of a parking lot behind the hotel.

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### BLUE ROAD

Blue Road LLC. The Art Deco structures were renovated while keeping historic elements.

The structures are in Miami Beach historic districts, which means redevelopment must abide by city guidelines. Some changes require approval by the historic preservation board. Technically, demolition isn't banned, but it's often challenging to get approval to demolish architecturally or historically significant structures, said Debbie Tackett, the city's chief of historic preservation.

In the current construction boom, the South Florida skyline is increasingly dotted with construction cranes for high-rises, but some developers still prefer to revive older, shorter buildings.

"Then we don't convert it into another Dubai or Cancun or another of those ... cities where they all look the same," Tenenbaum said.

Such preservation efforts are seen in Miami Beach, West Palm Beach and Boca Raton, among other areas, said Josh Atlas, a partner with Saul Ewing Arnstein & Lehr in West Palm Beach who works on construction litigation and represents real estate clients.

"You see these pockets of neighborhoods that want to maintain their character," he said.

Blue Road has 13 properties in South Beach, 12 of them open as hotels with 21 to 97 rooms. The latest purchase was the

Park Terrace apartments at 355 19th St. for \$14.2 million in March. A hotel and restaurant are planned.

### CHALLENGES

Some of the properties were open as hotels before Blue Road bought them. Others were apartment buildings. Many were in disrepair.

For a case study, look at the Berkeley, which was built as The Berkeley Shore and was renamed Iberostar Berkeley after it recently came under the Spanish Iberostar Hotels & Resorts brand.

"When we bought it, it was a disaster. I mean like yellow, blue and green and different colors (on the walls). ... It was kind of neglected in every way," Tenenbaum said. "There wasn't much to save on the structure, but the facade was beautiful."

Design and construction plans had to meet city regulations for structures in historic districts.

Indeed, working on a historic property adds a layer of challenge for developers, Atlas said.

"From a construction side, I think there's more money that goes into the design and planning," he said. "It's just more upfront cost because it's more time and usually more government review than a new project coming right out of the ground. Your architect might need to go back to the drawing board three or four times, and in doing that you might have to make changes to the building. ... From a design perspective, I think there's definitely a little bit more of an investment."

by Lidia Dinkova

The front of the Iberostar Berkeley hotel in South Beach is the same as it was when the hotel was built in the 1940s.

The original Art Deco facade is there along with the terrazzo floor, which extends inside. If you look closely, some blemishes are visible from years of use.

"You see some spots where it really looks like from back in the day," said Marcelo Tenenbaum, who together with business partner Jorge Savloff bought the hotel in 2013.

Inside the Berkeley, which was designed by Art Deco architect Albert Anis, the space has been modernized. Some historic elements, like a column in the middle of the restaurant, remain. The windows are in the same place, but the panes are now hurricane-resistant.

The situation is similar at the other South Beach hotels Tenenbaum and Savloff own and run through their company, Bay Harbor Islands-based

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J. ALBERT DIAZ

Marcelo Tenenbaum and his business partner bought Berkeley Hotel in 2013.

Blue Road put about \$27 million into the Berkeley, which included a 10-story tower erected in place of a parking lot behind the hotel.

The tower is an example of the nuances that come with working with a historic property. The design doesn't entirely emulate the historic structure in front. In a way, it's reminiscent of it.

The city "wanted the tower to speak the same language as the original building," Tenenbaum said.

Renovating the Berkeley and other properties while doing historic preservation isn't easy, he conceded.

"It was challenging, but we didn't expect it to be simple," Tenenbaum said.

### BETTING ON REVIVAL

Tenenbaum and Savloff began their South Beach acquisitions in 1995 with

the vacant Riviere apartment building at 1424 Collins Ave. At the time, Miami Beach was far from the thriving tourist destination it is today.

"There were a lot of buildings shut down at the moment. It was starting to come back," Tenenbaum said. "It was very normal to see buildings with the plywood and shut down."

But the two developers, both from Argentina, foresaw a revival. Among the clues: Gianni Versace bought Casa Casuarina on Ocean Drive in the early 1990s.

After buying the Riviere, the team bought and sold a couple of Miami Beach properties until the early 2000s when it bought a vacant apartment building, which became the Ocean Reef boutique hotel at 1130 Collins Ave. Blue Road preserved the outside envelope while renovating the interior.

Its other boutique hotels in South Beach include The Redbury Hotel, bought for \$32 million in June at 1776 Collins Ave. That's next to another Blue Road property, Hotel 18 at 1775 James Ave. The plan is for parts of Hotel 18 to be demolished and build an extension of The Redbury in its place.

"The nice thing about Miami Beach is that we are really preserving that history, and we don't look like anything else," Tenenbaum said.

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