



Developer does end run around land costs

Slate Property Group will share risks and rewards of building a 110-unit apartment building in Clinton Hill with the property's longtime owner. Similar deals are in the works.

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Published: February 17, 2015

A developer is planning to put up a 110-unit apartment building on the site of a grocery store in Brooklyn's Clinton Hill, and in the process is avoiding the single biggest obstacle for ground-up rental development there and in many parts of the borough—skyrocketing land prices.

Slate Property Group is planning to construct an eight-story building that will include about 20 affordable apartments and ground-floor retail at 325 Lafayette Ave., a site at the edge of a grassy Mitchell Lama housing campus near the corner of Grand Avenue. But rather than fork out cash for the land, which would make such a project nearly impossible, Slate has forged a partnership with the site's longtime owner in order to bring it to reality.

"Firms like us are getting priced out of the market, so we are getting creative in our deal structures," said David Schwartz, principal at the development company.

In this case, Slate forged a partnership with Dan's Supreme Supermarkets, whose owners didn't want to cash out of the Brooklyn real estate market by selling the land, but also didn't have the development skills to take on the risk of a ground-up construction project themselves.

That's where Mr. Schwartz's firm comes in. Slate will take on the financing and development of the project, and the two partners will aim to reap the long-term benefits of having a project in a Brooklyn neighborhood where rents have been on the rise.

"This is not a flip-the-building kind of strategy," Mr. Schwartz said.

Granted, the value of the land is still factoring into the deal for Dan's Supreme. But with development sites in the area now trading at north of \$300 per buildable square foot, Mr. Schwartz noted that ground-up rental developments would prove nearly impossible at that price.

And so with the discount in up-front costs, the partnership can not only do the project in the first place, but break even with lower rents—which in turn cuts the risk for the project. That freedom would also allow the developer to include more studios, for example, which are more expensive to build, and are being phased out of new developments in many parts of the city despite strong demand for them.

The arrangement with Dan's Supreme is one that Slate is hoping to repeat elsewhere.

"We are looking almost exclusively at this type of deal," Mr. Schwartz said, noting that the firm is already in talks with a handful of other longtime Brooklyn property owners. "We are not looking to buy a lot of land on the open market."

The Clinton Hill building is set to include 3,500 square feet of amenity space and 15,000 square feet of ground-floor retail, with the aim to include a supermarket on the site. Slate has tapped architect Ariel Aufgang to design the project.