

Odd Developer L+M on Hot Streak

Ron Moelis wants to do good, not just well, and he now seems to be doing a lot of both.

BY JOE ANUTA

DECEMBER 8, 2013 12:01 A.M.



One of the city's oddest developers is on a winning streak. L+M Development, a firm that prides itself on operating with a dual bottom line—doing both well and good—recently won a contract to build part of the massive Seward Park urban-renewal project near the Williamsburg Bridge.

Meanwhile, following an international search, L+M and several partners tapped a Swedish firm to design housing on part of an 80-acre tract in the Rockaways, and has snipped ribbons on everything from a South Williamsburg grocery store in one of its buildings to a former Navy prison it turned into an affordable-housing property in Fort Greene, Brooklyn.

Last week, that streak hit a new peak when the New York Housing Conference named L+M “private developer of the year.” Now, with a new mayor who has made the creation of affordable housing one of his top priorities, it looks as though L+M's ship has come in: 90% of its work is affordable housing.

"I can only imagine that a company that has had this much success, is employee-owned and has great leadership is going to continue to succeed [under the de Blasio administration]," said Judith Calogero, chief executive of the New York Housing Conference.

For openers, L+M will kick off the new year by putting into gear a project that founder and CEO Ron Moelis calls nothing less than "the culmination of what I've been doing for 30 years." Essex Crossing will transform 1.7 million square feet of the Seward Park Urban Renewal Area.

"We can do really cool, interesting things in the community, hopefully make money doing it, and build something that is going to be a real legacy project," he said.

In addition to building 1,000 apartments, half of them designated as permanently affordable, the project, which L+M will do in concert with BFC Partners and Taconic Investment Partners, will include a number of unusual bells and whistles. Among them will be a new home for the beloved La Guardia-era Essex Market, a branch of the Andy Warhol Museum and a rooftop farm.

For L+M and other developers, the drawback to the affordable-housing business is that jobs on the scale of Seward Park seldom come around. Instead, since he started the company in 1984, Mr. Moelis has built one of the city's largest businesses focused on affordable housing by taking on smaller projects, which at least offer the benefit of being less risky than high-end, large-scale developments.

"Our philosophy is no home runs, but no strikeouts," he said.

A rare departure

The Queens-born and Westchester-raised developer got into the business after graduating from New York University School of Law, and quickly discovering that he didn't want to become a lawyer. Then, barely five years into his new career, Mr. Moelis departed from the usual model by building a housing mini-conglomerate. It began with the formation of a construction arm, and was followed several years later by a property-management subsidiary, and still later by one specializing in retail.

"L+M was one of the first to fully integrate its affordable-housing company, and is fully integrated in a way that allows it to be a part of a project throughout its various stages," said Rafael Cestero, former commissioner of the city's Department of Housing Preservation and Development and current head of the nonprofit The Community Preservation Corporation.

What started out as a two-person company has grown into an outfit with a staff of nearly 250, each of whom owns a piece of the firm. Among them are three social workers, a community-relations specialist and a person focused full-time on philanthropic endeavors. Today, L+M owns or manages roughly 10,000 apartments, mostly concentrated in the New York area, and doing about \$600 million in development annually.

"My idea was to try to integrate the concept of double bottom-line, doing good by the community, into the business model," he said. "And what I believed then, and I still believe now, is that if you do the right thing, it will enhance your business," he said.

Good with a buck

Make no mistake: Mr. Moelis still knows how to turn a buck.

A case in point is L+M's recent rehab of a storm-battered Mitchell-Lama apartment complex called Ocean Village in Far Rockaway, Queens, across the street from the 80-acre site where L+M will build about 1,500 housing units as part of a city-selected team that recently tapped the Swedish firm to design.

"It's no coincidence they are investing the money now," said Queens Councilman Donovan Richards, a former resident of the complex, who noted that a gussied-up Ocean Village only enhances the value of L+M's larger project. Curiously, that development will draw on the experience the firm gleaned from its work on another flood-prone site, in New Orleans, where it built the first phases of that city's largest public-housing project in 2011.

The challenge for all affordable-housing developers is that to get the job done, firms must traverse the labyrinth of government bureaucracy.

"People who don't care about the mission don't do so well in this business," said Martin Dunn, chief executive of a namesake affordable-development firm. For those who do and who also have talent, however, he noted that they will have "a lot of opportunities."

And considering Mr. de Blasio's plan to create or preserve 200,000 units of affordable housing over the next decade—35,000 more than the Bloomberg administration—it looks as though L+M is going to have plenty of opportunities.

Correction: Rafael Cestero is the current head of the nonprofit The Community Preservation Corporation. The name of the company was misstated in an earlier version of this article, originally published online Dec. 8, 2013.