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## Relief for Chicago Eyesore

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Construction is resuming on a half-built skyscraper that has marred Chicago's skyline since 2008, thanks to a recovering economy and a creative path taken by its original developer, contractors and a new investor.

The shell of a building at 111 West Wacker Dr. is in the Loop just blocks from City Hall. Originally designed to be a 90-story hotel and condominium, it has sat empty since construction stopped at the 25th floor when money ran out four years ago, leaving a dull concrete form in an otherwise gleaming stretch of towers that flank the Chicago River.



New owners are restarting construction at this half-built skyscraper overlooking the Chicago River.

Now, a new ownership group that took control last year has received a big loan to restart a freshly designed 60-story rental apartment tower planned for the site. The venture, led by Related Cos. of New York, a developer, expects to close this month on a \$115 million construction loan from Bank of America Corp. and U.S. Bank, a unit of U.S. Bancorp, Minneapolis.

It's been an eyesore for a long time," said Curt Bailey, president of Related Midwest. "This is an important signal that Chicago is back at work."

The tower is getting under way as many lenders and investors pile into the hot rental-apartment sector. With millions of would-be homeowners seeking rental housing, apartment vacancies nationwide have dropped to 4.7% from 8% in 2009, according to real-estate-research firm Reis Inc.

The project's successful workout also contrasts with the vast number of mothballed developments across the country with little hope of revival because of continuing battles between creditors and lien holders fighting to be repaid.

Planning for the project began more than 10 years ago when a group led by developer Ivan Dvorak paid about \$12 million for a parking lot on the site. Construction began two years later on a mixed-used project called Waterview which was to include a Shangri-La hotel and about 240 condos with prices ranging from about \$440,000 for smaller units to \$1 million and above for larger residences.

But construction stopped two years later as the condo market froze. A group of contractors and other creditors filed claims for lack of payment for roughly \$100 million in liens.

Within about 12 months, an unusually short period of time for a distressed project, Mr. Dvorak's group had worked out an agreement with creditors. They agreed to write down debts in exchange for a stake in a limited-liability corporation that owned the property along with the developers. The move was designed to attract interest from investors who might otherwise be scared off by potentially messy foreclosure litigation.

Last year, the strategy worked as the group that included creditors and Mr. Dvorak cut a deal with a Related distressed fund, which put up just \$5 million in cash for a controlling stake in the skyscraper. As part of the deal, the group with the contractors and creditors got an additional \$21 million stake in a piece of future profits.

Reaching a deal wasn't completely painless. It took some arm-twisting to get dozens of creditors to hang on for a potentially bigger future profit, said Michael Hughes, chairman of Huen Electric, which was owed \$8.6 million. Creditors eventually recognized that the deal with Related made sense in the long run. "It took months to get everybody focusing on the return rather than an immediate payout," said Mr. Hughes, whose firm also helped build the Trump International Hotel and Tower across the river.

The new glass building that will rise on the site was designed by Handel Architects. Recessed windows create lines on the façade that are meant to echo the river outside the skyscrapers on Wacker Drive that help create a corridor architect Gary Handel calls, "one of America's great urban spaces."

The building will also include such amenities as a gym with expansive views of the skyline and the river, a lap pool and dog-walking and grooming services. Related hasn't set rates yet but expects to fetch monthly rents above \$3 a square foot. That would put prices above \$2,400 a month for an 800 square-foot studio.

The project will also face some stiff competition if it is completed as expected in 2014. While new-apartment construction has been light in recent years, it is ramping up with more than 1,000 new units expected to hit the Loop submarket next year, up from 338 this year, according to Reis.

Contractors who own stakes in the project are seeking to keep costs down by bidding on contracts rather than parceling out the work to themselves. "In today's economy there's very little work so people are very sharp with their pencils," said Mr. Hughes. "We understood that and agreed that the developer had to go out and find the best price."