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Next at Block 37? An apartment tower

By Alby Gallun March 10, 2014

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Block 37
Stephen J. Serio

More than eight years after breaking ground on Block 37, construction crews could be returning soon to build hundreds of apartments atop the Loop shopping center.

The owner of the mall across State Street from Macy's department store, Los Angeles-based CIM Group, is in advanced preparations for the next phase of the development, an apartment tower with more than 500 units, according to people familiar with CIM's plans.

The project would mark an important milestone for Block 37, a development that was **stuck in the planning process** for so long that many people thought it would never get built—and then **wound up in foreclosure** after the real estate crash.

It also would add momentum to the Loop's emergence as a residential neighborhood, fueled first by the condominium boom of the prior decade and now by **a surge** in apartment development. The number of condos, townhouses and apartments in the Loop has more than tripled since 1995 to more than 14,000 units, according to Appraisal Research Counselors, a Chicago-based consulting firm.

"One could say that a residential building at Block 37 is probably a pivotal location for demonstrating that the Loop is a destination for people to live," says Thomas Kerwin, principal at BKL Architecture LLC, a Chicago-based architecture firm. "That's got to be the highest-profile location for a residential building in the Loop."

But CIM would be arriving to a party that has become so crowded that many landlords worry about a coming glut. After completing 2,695 apartments in the greater downtown area last year, developers will finish 2,269 units this year and another 4,200 in 2015, according to an Appraisal Research report.

'A LITTLE PRESSURE'

There's plenty of competition in Block 37's backyard, with **three high-rises** totaling 1,238 units under construction within a three-block radius of the project. Though it could be two years or more before a high-rise opens at Block 37, the market would feel a project of that size.

"It's going to put a little pressure on other buildings and perhaps hold down rental rates," says Anthony Rossi Sr., president of Chicago-based M&R Development LLC, the builder of a 332-unit tower at 73 E. Lake St. that's scheduled to open this month.

Yet he and Mr. Kerwin say the Loop will benefit from another big apartment building that would

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bring more shoppers to its stores and more diners to its restaurants. **At least five hotels**, including the Virgin Hotel at Wabash Avenue and Lake Street, are in the works within four blocks of Block 37, further boosting a neighborhood that used to empty out at the end of each workday. "The more people you have, the better off it is," he says.

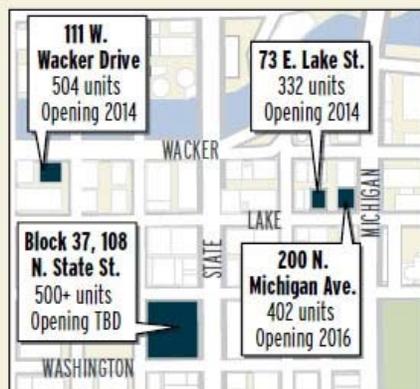
LOOP LIVING

The number of residential units in the Loop has more than tripled since 1995.

NUMBER OF UNITS



APARTMENT BUILDINGS OPENING



Notes: 2014-15 is a forecast. Data covers the area bounded by the Chicago River to the north and west, Lake Michigan to the east and Congress Parkway to the south. Figures do not include student housing.
Source: Appraisal Research Counselors

It's unclear when CIM would begin construction at Block 37 or whether it has lined up construction financing. People familiar with the firm say it has strong funding sources so financing shouldn't be a major obstacle. A CIM spokeswoman declines to comment.

Current zoning for Block 37 allows for 400 residential units and 500 hotel rooms, but CIM can build more apartments there if it agrees to reduce the number of rooms in the yet-to-be-built hotel.

CIM took over Block 37 in 2012, **paying \$84 million** to Bank of America Corp., which seized the 275,000-square-foot mall from Chicago-based Joseph Freed & Associates LLC following a foreclosure suit. After a slow start, CIM has recruited **a few big tenants** in the past year, including the AMC movie chain and celebrity chef Richard Sandoval, who will operate its food court. About 25 percent of the retail space still is available for lease.

Because it sits in the heart of the Loop, Block 37 long has been considered a prime location for a retail-residential development. The property, which covers a city block, was cleared in 1989 but sat vacant for more than 15 years as the city and developers dithered over plans for the site.

Those plans called for an ambitious **Chicago Transit Authority superstation** that would have whisked travelers on express trains to the city's airports. Yet after spending more than \$200 million to build it, the city aborted that project, which would cost another \$150 million to finish.

Block 37 also includes **a 16-story office tower** owned by Prudential Real Estate Investors LLC that's leased to Morningstar Inc., WBBM-TV/Channel 2 and others.

Micah Maidenberg contributed.

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