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Developers' mojo could bring down River North Hojo's

By: [Micah Maidenberg](#) April 02, 2014

A development venture wants to tear down the Howard Johnson Inn in River North and build 298 residential units in its place.

The venture between Chicago-based firms Mac Management Co. and Magellan Development Group LLC has submitted a zoning-change application with the city for the tower at 720 N. LaSalle St., which is being designed by bKL Architecture LLC. The application is expected to be introduced into the City Council at its meeting today.

It's likely the Mac-Magellan venture will build apartments there, since the condominium market isn't considered strong enough to add nearly 300 units at once, pushing developers to focus on smaller for-sale deals. Apartments, meanwhile, have been the development industry's favored asset since the real estate crash.

Builders are expected to deliver more than 6,000 new rental units downtown this year and next, according to Chicago-based consultancy Appraisal Research Counselors, raising concerns about a potential glut. Amid the supply surge, rents at top-tier buildings fell 2.7 percent last year, according to Appraisal Research.

The question is whether Mac, a real estate company with holdings in River North, and Magellan, one of the city's biggest residential developers, can get yet another project off the ground amid the crowded field of competitors.

"You have concerns from both the equity and debt about where we are in the cycle," said Mark Stern, senior vice president at the Chicago-based apartment owner Waterton Associates LLC. He added the development team's local experience will help them finance a new project.

POPULAR DESTINATION

With its mixture of tech offices, nightlife and proximity to the Loop, River North has proven a popular destination for new rental deals, with Habitat Co., Hines Interests L.P. and the Kennedy family, and developer Fred Latsko all building new apartment towers in the neighborhood.

The Mac-Magellan venture will also face competition from the Gold Coast. One block to the north of the Howard Johnson property, Chicago-based Smithfield Properties LLC has started construction on a 295-unit rental tower, while Newcastle Ltd., which is also based here, is developing a 367-unit building at 845 N. State St., about a half-mile east and north of the inn.

Dustin Cahan, part of the family that runs Mac, declined to comment. A Magellan executive didn't return a message.

Both firms are also planning to seek city approval for a long-planned rental building on the site of the former Gino's East pizza restaurant at 633 N. Wells St., about two blocks south of the Howard Johnson property, according to a person familiar with that development.

Further details about the project slated for the Gino's East property, which the firms once saw rising as many as 38 stories high, weren't immediately available.

To move forward with its plans in River North, Mac and Magellan must secure approval from Ald. Brendan Reilly (42nd), whose ward includes both projects. The developers also must buy the Howard Johnson Inn from its owner, a venture of Skokie-based F&F Realty Ltd.

David Friedman, president at F&F, did not return a phone call and email yesterday.

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