

Chicago Tribune Mary Ellen Podmolik column: Cap and gown factory rises again as loft development

YellowBrix, May 21, 2010, By Mary Ellen Podmolik, Chicago Tribune

May 21--"Absolutely not."

That was the instant, and emphatic, answer to a simple question I posed to Nick Kopley. The question was whether Kopley, who heads a multifamily property management and development company, could today get financed the project he started four years ago to turn the E.R. Moore cap and gown factory into lofts.

"The financing for these type of projects just isn't available right now," Kopley said. "We joked we were the last deal done with no pre-sale requirement. Had we had the pre-sale requirement, we probably would have never hit the threshold necessary. If we hadn't had the work started, no one would have put their money down."

It was in late 2006, as uncertain times were on the horizon, when Kopley acquired the vacant factory in Chicago's Lakeview neighborhood with the intention of turning it into affordable lofts. Working with architect Fitzgerald & Associates and contractor Axios Construction, Kopley gutted the facility down to the exterior walls and floors but salvaged some of the original brick and used it for re-facing. He kept the cost to \$285 to \$320 a square foot, a fact that helped his project; so too did the fact that it was one of last conversions in the neighborhood.

"The story we told the neighborhood and the alderman was the alternative of another manufacturer being useful in that neighborhood was over," he said. "It was either going to be residential or get knocked down or vacant."

Today, about 70 percent of the 91-unit building is under contract. Deliveries of units began in November and more than 30 units have closed. Another 20 are waiting to close, he said.

Kopley's project, along with many others, was recognized Thursday night by the Chicago Association of Realtors at its annual Good Neighbor Awards. The Lofts at 1800 also was a runner-up for the "best in class" recognition, the Bruce Abrams award, given each year to one good neighbor recipient for its exceptional work.

The list of recognized residential projects within Chicago and the suburbs this year includes affordable housing, green housing, renovations of older buildings and transformations of blighted sites, vacant buildings and foreclosures into developments that are assets for the owners and the communities.

But in the difficult financing environment, there just aren't that many viable projects getting financed. Does that mean there will be fewer good neighbor projects in the immediate future?

Kopley, for one, is looking to potentially take over some failed projects now owned by banks, which are just starting to get more realistic about what price they'll take. Financing for new projects is harder to come by.

"The first thing the banks have to do is get rid of the portfolio of real estate they own," Kopley said. "They make take a year or two to wash out the loans they already have. Once those are cleared off, banks will get back in the business of loaning money."

Good but certainly not great: Appraisal Research Counselors, a Chicago firm that tracks the downtown residential scene, came out with its quarterly report on the market this week and while it doesn't exactly show a ravenous appetite for new construction, the numbers are definitely better than they've been.

Sales contracts during the first quarter totaled 256 units; that compared with 572 sales for all of 2009. Credit the improvement to the now-expired homebuyer's tax credit, healthy price cuts and a keen interest by buildings to be approved for Federal Housing Administration-backed mortgage financing.

The report's authors predict that this year will outperform not just 2009 but also 2008, when there were 582 sales. But the record-shattering almost surely will end there. Previously, sales contracts exceeded 3,000 annually. While there's still plenty of completed yet unsold condos, town houses and conversions in the market -- more than 2,200 units at the end of the first quarter -- it would have to be quite the fire sale to get all of them sold as well as the units under construction and the units planned but not yet started.

Appraisal Research's survey is focused on the residential market bordered by North Avenue, Cermak Road, Lake Michigan and portions of the Chicago River and Ashland Avenue.

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