

NEWS PAPER

# CRAIN'S

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## Let the Loop gold rush begin

### Carbide & Carbon Bldg. deal seen as first of many bids for TIF booty

By BETSY WANGENSTEEN

Sources say Chicago developer John Marks has put the landmark Carbide & Carbon Building under contract in what appears to be the first deal propelled by the planned expansion of the North Loop tax-increment financing district.

The 67-year-old gilded building

at 230 N. Michigan Ave. falls within the expanded tax-increment financing district (TIF), which will use \$300 million in property taxes over the next 10 years to repair the area's infrastructure and subsidize development.

The TIF expansion still must be approved by the City Council. But industry sources say activity al-

ready is starting to intensify, heating up prices and expectations.

"Some sellers already have raised prices under the misguided notion that the TIF funds will subsidize the acquisition price of the redevelopment project," says Bruce Abrams, president of Chicago-based LR Development Co.

Developers who have been eyeing such projects for residential conversions or office rehabilitations warn that an early TIF bounce could backfire: If sellers jack up prices too much, buyers

may not be able to make projects work, even with TIF assistance from the city.

Class C buildings in the expanded TIF district have been trading for \$10 to \$25 per square foot. Many potential buyers say they won't pay much more than that.

"The point of the TIF," warns Planning and Development Commissioner J. F. Boyle Jr., "is not to bail out the sellers of the buildings, but to help the next project to go forward."

Even if a developer wins TIF as-

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## A rush for old Loop buildings

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assistance, the city will contribute only a fraction of the project's costs.

### 'Money on the table'

Still, "a TIF district puts money on the table," says Michael O'Hanlon, senior managing director for real estate firm Cushman & Wakefield in the Midwest. "It's only natural for owners to think they'll get more for their buildings."

The TIF certainly seems to have been a boon for Cleveland-based Realty ReFund Trust, which owns the Carbide & Carbon Building.

Mr. Marks snapped up the property just weeks after it was returned to the market when a deal with Chicago's American Invsco Corp. fell through. Sources say Mr. Marks has offered more than \$30 a square foot, or \$7 million.

Carbide & Carbon is a prime candidate for TIF assistance.

It is in better shape than many of the other Class C buildings in the expanded TIF. And its landmark status, small floor plates and multiple views make it an attractive residential conversion possibility. But it needs work. Large chunks of its terra-cotta facade were falling onto Michigan Avenue just months ago.

### No guarantee

Mr. Marks, developer on the \$70-million rehabilitation of Marina City's commercial section, could not be reached. His offer will remove the building from the market while he does due diligence, but there is no guarantee the deal will close.

Robert Wislow, chairman of Chicago developer U.S. Equities Realty Inc., says other buyers likely will be waiting in the wings. "The TIF encourages people to be creative, and when it works, brings new blood into the market."