

A Chicago Hotel's New Life in a Rising Area

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By Robert Sharoff



The restoration of the Blackstone, a fabled but long vacant hotel on South Michigan Avenue here, is evidence of a reviving lodging market in one of the country's largest convention cities. It also reflects the newfound vitality of the South Loop neighborhood in the wake of the development of nearby Millennium Park in the early 2000s.

The 332-room Blackstone, which has been closed since the late 1990s, will reopen in early March after a \$128 million renovation by Sage Hospitality Resources, a privately held hotel and restaurant company based in Denver. The project's architect is Lucien Lagrange, one of Chicago's leading hotel designers.

"It's the largest single development project we have completed," said Walter L. Isenberg, Sage's chief executive. "It's clearly a flagship for us."

Sage, which owns or manages 47 hotels in 21 states and has annual revenue of about \$500 million, specializes in historic renovation and adaptation projects. Last year, it opened the 272-room Renaissance Providence, which was carved out of a long-vacant Masonic Temple in downtown Providence, R.I. Later this year, it will open the Nines, a 331-room hotel in the old Meier & Frank department store building in downtown Portland, Ore.

"What we have found is that customers are looking for unique experiences," Mr. Isenberg said. "The historic element provides that. And from a community perspective, people today value historic preservation. They're interested in saving things that tie the past and the present together."

The Blackstone will be owned and managed by Sage but will carry the Marriott Renaissance nameplate under a franchise agreement.

Rita Cuddihy, senior vice president of Renaissance North America, said the Blackstone was a good fit for the brand. "We use the Renaissance brand for hotels that are very unique in terms of location, style, design or historic values," she said. There are currently 140 Renaissance hotels around the world, including five others in the Chicago area.

For much of its history, the Blackstone, which opened in 1910, was a premier destination. "It was Chicago's first modern hotel," said Tim Samuelson, the city's cultural historian.

Designed in lavish Beaux-Arts style by the architect Benjamin Marshall, who also created the Drake Hotel on North Michigan Avenue, the Blackstone played host over the years to many presidents and celebrities.

It also has a prominent place in political history. During the deadlocked Republican Convention of 1920, cigar-smoking party leaders huddled in a ninth-floor suite to hammer out the nomination of Warren G. Harding. The Associated Press later reported that Harding had been nominated in "a smoke-filled room," a phrase that entered the political lexicon.

That suite and one other — the original presidential suite on the 10th floor — are the only guest rooms that were preserved during the recent renovation.

The hotel went through rough times in the '60s and '70s, when the surrounding neighborhood declined. Then, in the early 1990s, it was acquired by a charitable group associated with the late Maharishi Mahesh Yogi, with the goal of turning it into a meditation center. That plan — as well as an effort to convert it to a luxury condominium — never came to fruition.

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In the meantime, many original details were lost. "They sold anything that had great value — the brass fittings, several of the statues, the original chandeliers," said Fletcher Mayes, Sage's general manager for the hotel. During the current renovation, Sage has been able to repurchase several of these elements on eBay and has refabricated others.

The Blackstone should benefit from the revival of its neighborhood. Michigan Avenue encompasses two distinct areas — north and south — with the Chicago River as the dividing line. The Loop is one block west of South Michigan Avenue.

Even though it includes such attractions as the Art Institute of Chicago and Symphony Center, South Michigan Avenue has traditionally been something of a dead zone in terms of retailing and tourism.

Four years ago, however, the city completed Millennium Park, a 24.6-acre lakefront playground several blocks south of the river, and it has jolted the formerly somnolent street back to life. "There's a whole new energy in the Loop and along Michigan Avenue that wasn't there 10 years ago," said Arnold L. Randall, the city's planning commissioner.

The owners of the Blackstone sought to take advantage of this change. "We saw an opportunity on South Michigan Avenue with all the gentrification going on," Mr. Isenberg said. "We really think the Blackstone can be the crown jewel south of the river."

The reopening coincides with a boom in hotel development downtown. About 30 projects with a total of some 7,300 rooms have been announced or are under way. If all are completed, the total number of hotel rooms in downtown Chicago will increase by over 25 percent.

Many analysts, however, say this is unlikely to occur. "Maybe half of the announced projects will actually get done," predicted Adam McGaughy, senior vice president of the Chicago office of the hospitality division of Jones Lang LaSalle, a real estate services and money management firm in Chicago.

"When they were announced, the economy was going gangbusters and hotels were considered very sexy investments," Mr. McGaughy said. "But a lot has changed in the last few months. There's just a lot less equity out there chasing these deals today."

The downtown boom is being driven by several factors, most notably the completion of an additional convention hall at nearby McCormick Place. This has resulted in an uptick in convention business as well as increases in leisure tourism.

The overall downtown hotel occupancy rate for 2007 was 77 percent, compared with a nationwide occupancy rate of about 63 percent. "It's a very healthy market," Mr. McGaughy said.

The demand is not only from business travelers. "What's interesting about the Chicago hotel market is that weekend occupancy has been strengthening and is now often higher than midweek occupancy," said Tim Roby, president of the Chicago Convention and Tourism Bureau. "There's not many commercial destinations outside of New York, San Francisco and Miami where you can say that, and it tells you that the city is getting that much more leisure business."

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The Blackstone will be the second new hotel to open downtown since the beginning of the year. The first, which began operations in late January, is the 339-room Trump International Hotel.

Trump International occupies the lower floors of a 92-story condominium building that is still under construction just off Michigan Avenue on the north bank of the Chicago River. The building, which will be the second tallest in the city after the Sears Tower, will not be completed until 2009.

“We look at Chicago as being one of the strongest markets in the country right now,” said Jim Petrus, chief operating officer of the Trump Hotel Collection. “There’s a strong corporate and convention base. It’s also a great livable residential city. Those three elements make for a great hotel market.”