

Ritz-Carlton Condo Project Lands Financing

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By Eddie Baeb

The Ritz-Carlton Residences condominium project got its financing this week, clearing the way for the planned 40-story tower at 664 N. Michigan Ave. to finally begin construction.

On Wednesday, the developer of the high-end condo building landed a \$137.5-million construction loan from German financial institution Helaba and \$40 million in preferred equity from the Kuwait Finance House, says Michael Schramm, a principal with Prism Development Co.

In a complicated transaction that involves a sale and a ground lease, Chicago-based Prism gained control over the site from its owner, Terra Foundation for American Art.

Along with the financing, Prism simultaneously closed on the property and is poised to immediately begin demolition, a process that will involve preserving the facade of the historic Farwell Building. Mr. Schramm, who joined Prism last fall, wouldn't disclose the sales price.

"This was no walk in the park," Mr. Schramm says. "It is an awfully challenging capital market landscape, and yet, with all that we still got the thing done."

About 40% of the 88 condos in the tower have been sold, he says. Prices for the units, which will have services and amenities from the Ritz-Carlton Hotel Co., start at \$1.5 million and run to upward of \$10 million. Sales at the project, which began in early 2006, have been stalled at about 40% for almost a year.

Despite the woeful condo market, Mr. Schramm believes sales will pick up.

"We've got a nice backlog of folks sitting on the fence who have been waiting to have us close," he says. "We're expecting a nice rush of sales over the next few months."

He says Germany's Helaba, known formally as Landesbank Hessen Thüringen Girozentrale, came on board last fall but — like all lenders these days — gave the deal heightened scrutiny.

"Every i was double-dotted," Mr. Schramm says.

Getting financing from overseas is also becoming more common. With a lot of U.S. lenders in a state of near-paralysis, developers are spanning the globe to secure loans from deep-pocketed overseas investors. After a prolonged search, the developer of the 90-story Waterview Tower and Shangri-La Hotel at 111 W. Wacker Drive said last month that it has an agreement for a \$340-million construction loan from the Export-Import Bank of China.

In addition to the tough condo and financing markets, Prism also had political issues.

In January last year, the city's Commission on Chicago Landmarks rejected Prism's proposal as preservationists sought to save the Farwell Building. The commission reversed itself two months later, approving a slightly tweaked version of the plan.

As a part of Wednesday's deal, Terra will eventually own about 20,000 square feet retail space on the first and second levels of the project as well as 12,000 square feet of office space.

Donald Ratner, Terra's executive vice-president and CFO, declined to comment on how much money the foundation would receive from the deal.