

6-tower project planned \$750 million residential complex set for area that housed Kinzie Station

A Chicago-based developer intends to build a \$750 million residential project near downtown that it said will have enough scope and variety to be a new neighborhood.

Fifield Cos. is set Thursday to unveil finalized plans for a community called K Station that would link the West Loop and River North districts. It would include six residential towers with 2,451 luxury apartments, parking for 2,000 vehicles and 40,000 square feet of retail space, plus a Jewel/Osco supermarket.

The project would include a one-acre public park, walkways and five outdoor swimming pools, among other amenities.

The company already is building the first two apartment buildings in the project. Over the next five to seven years it would complete work on all six towers, which will range in size from 30 to 43 stories. They will rise on the eight-acre site that long ago housed Kinzie Station, a commuter rail stop, the developer said.

The location is bounded by Kinzie, Clinton, Halsted and Wayman Streets, Fifield said.

The city approved the broad concepts for the planned development last spring but it has taken several months to fill in vital details, including the size of the project.

"We're taking one of the last available tracts of undeveloped land in the West Loop to create a new neighborhood," said Steve Fifield, chairman and chief executive of the Fifield Cos., whose joint venture partner for the project is Pacific Life Insurance Co.

For the city, the addition of new rental apartments should be a boon, said Leslie Andren, a senior director for multifamily capital markets at Cushman & Wakefield of Illinois Inc.

"The city needs rental housing units because there's been more taken off the market in recent years for condominium conversion than put back in," she said.

In the past 15 years downtown has lost about 15,000 rental units, she estimated.

For a developer, this may be a good time to put up apartment buildings. Occupancy is strong at 96.9 percent, rents are rising, landlords are cutting back on concessions such as free rent, the city is creating new jobs and well-located sites are scarce, she said.

Meanwhile, there isn't a rush of new rental buildings in development because barriers to entry are substantial. It can take two years to find a site, secure city approvals and financing and get construction under way. With the rising cost of building materials and labor, condominium high-rises can cost around \$400 a square foot to develop and rentals about \$300, much more than the approximately \$200 per square foot to purchase some existing multifamily properties, Andren said.

As a result, this year less than 1,000 new rental apartments are scheduled for completion, far fewer than prospective downtown dwellers could absorb, said Fifield President Rick Cavanaugh.

Furthermore, the 27 percent decline in the sale of new housing, including converted condominiums, through the third quarter of 2006 means that some potential buyers are likely to rent until they are sure the market is rebounding.

If the housing market does spring back in coming years, one or two of the K Station towers might be developed as condominiums. There is reason to speculate, given the surge of new downtown residents in recent years.

From 2000 though 2005 a downtown condominium boom was fueled by eager young professionals and empty nesters who bought housing and now patronize the new shops, restaurants and entertainment venues that opened nearby.

Much of the residential development has centered around the West and South Loop. Since 1991 the total number of downtown housing units doubled to approximately 100,000 while those in the South Loop tripled to 13,500, according to Appraisal Research Counselors, an appraisal and consulting firm.

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By Susan Diesenhouse, Tribune staff reporter

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Given such ebullient activity, just three months ago another Chicago developer, Centrum Properties Inc. kicked off the Roosevelt Collection, an approximately \$900 million mixed-use project in the South Loop. It is slated to have about 1,000 condominiums, parking for 1,700 cars, 400,000 square feet of retail and a 2.5-acre park.

The West Loop has been another hot spot of downtown development. Since 1991 the number of housing units has more than quadrupled to approximately 14,000 from 2,900. There have also been several new office buildings. In the past eight years Fifield has produced four of the new office towers as well as two residential projects not related to K Station.

Last fall it completed construction on the first 37-story tower of the K Station neighborhood called Left Bank. Since November the 451-unit building, designed by Chicago-based DeStefano & Partners, has leased 90 units that on average rent for \$2.29 per square foot with no concessions, said Cavanaugh.

Fifield developed it with a unit of Prudential Insurance Co. and expects to close on the sale of its interest to Prudential on Wednesday. It declined to state the price.

“We are a merchant builder and will probably sell some K Station buildings and keep two or three for the long term,” said Cavanaugh

Also in November Fifield started construction of the second 39-story K Station tower, with 350 units, designed by Pappageorge/Haymes Architects, due for completion by mid-2008.

A month ago the developer closed on the last four acres of the site, which it purchased from a Chicago-based subsidiary of Heartland Partners LP, successor to the Milwaukee Railroad.

This fall Fifield will break ground for a third 422-unit rental building, Cavanaugh said.

Apartments will range from studios to three bedrooms. Average rent for a 750-square-foot one-bedroom will be \$1,710 and for a 1,050-square-foot two-bedroom about \$2,400.

Fifield said that the project design and features, like the playground, performance stage, walking paths and sculpture, will create “a community that will provide residents with a sense of arrival and belonging.”