

# ULI Case Studies

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## Harper Court



*The office building and the internal street as seen from the court looking toward 53rd Street. On the ground level are retail space and lobby entrances. The second level includes parking hidden behind a beige facade with colored windows. On the third level is the LA Fitness health club.*

### PROJECT SUMMARY

Harper Court is a mixed-use project—including office, retail, hotel, and parking uses—located on a 3.18-acre site in the Hyde Park neighborhood on the South Side of Chicago near the University of Chicago campus. The project was initiated by the city of Chicago and the university, with the objective of revitalizing a strategic commercial location important to the university campus and near transit. The project has been integrated into the existing street fabric and includes a new internal street. A second phase is planned to include up to 400,000 square feet of residential, hotel, and/or office space.

Harper Court is a mixed-use project with a story that involves a young developer, a university, urban revitalization, pedestrian-friendly design, and sustainable development. Located on a 3.18-acre, one-block site in the Hyde Park neighborhood on the South Side of Chicago near the University of Chicago, the project includes 150,000 square feet of office space, 75,775 square feet of retail space, 131 hotel rooms, and 518 parking spaces. The development was initiated by the

city of Chicago and the University of Chicago, and was undertaken by several private entities that partnered to develop the project. The project plan features an L-shaped, pedestrian-friendly internal street that bisects the site, but each of the uses also faces outward toward the surrounding streets, resulting in a development concept that fits into the neighborhood while also creating a new place within the neighborhood. Response to the project from the community has been very

### QUICK FACTS

**Location**

Chicago, Illinois

**Project type**

Mixed use—three uses or more

**Site size**

3.18 acres

**Land uses**

Office, retail, health club, hotel, parking

**Keywords/special features**

Pedestrian friendly, urban infill, revitalization, university partnership, public/private development, tax increment financing, bond financing, transit-oriented development, healthy place features

**Websites**

<http://harpercourtchicago.com>

[www.chicagosouthuniversity.place.hyatt.com](http://www.chicagosouthuniversity.place.hyatt.com)

**Project address**

Harper Court

5235 South Harper Court

Hyde Park

Chicago, Illinois

**Master developer**

Harper Court Partners

Chicago, Illinois

**Master developer partners**

Vermilion Development

Chicago, Illinois

312-488-1918

[www.vermiliondevelopment.com](http://www.vermiliondevelopment.com)

JFJ Development

Chicago, Illinois

773-294-6395

[www.jfjdev.com](http://www.jfjdev.com)

**Equity investment partner**

Canyon-Johnson Urban Funds

Los Angeles, California

310-272-1500

[www.cjuf.com](http://www.cjuf.com)

**Hotel developer**

SMART Hotels LLC

Shaker Heights, Ohio

216-468-3030

[www.smarthotelsgroup.com](http://www.smarthotelsgroup.com)

The Olympia Companies

Portland, Maine

207-874-9990

[www.theolympiacompanies.com](http://www.theolympiacompanies.com)

positive, and the project has met all its initial financial objectives. Harper Court's first phase opened during fall 2013.

## The Site

The Harper Court site is located in the historic Hyde Park neighborhood, six miles to the southeast of downtown Chicago. Hyde Park is anchored by the University of Chicago and includes many popular tourist attractions, including Frank Lloyd Wright's Robie House, the nearby Museum of Science and Industry, and the parks along Lake Michigan. The project is surrounded by historic neighborhoods that were negatively affected by urban renewal and suffered from deterioration in years past but are now experiencing redevelopment and revitalization.

Harper Court is on 53rd Street, the historic main commercial corridor of Hyde Park, and is situated on a block also bounded by South Harper Avenue, South Lake Park Avenue, and 52nd Street. It is within walking distance of the University of Chicago and its medical center for the more than 30,000 students, faculty, and staff. It is also well served by transit and city streets: across the street is a station on the Metra Electric rail line, which transports 36,200 passengers by the site daily, and 20,500 autos pass each day on Lake Park Avenue.

The project is located on a single block but does not occupy the entire block. The site was formerly occupied by a failed retail/commercial center that catered to artisans, restaurants, and local not-for-profit entities. To the south of the project is 53rd Street, a primary retail commercial street in Hyde Park. Across this street from Harper Court is the stately Hyde Park Bank and popular fashion retailer Akira (brought in by the university), which recently opened in a space vacated by Borders books. The southwest corner of the block is occupied by several retail buildings with a cafeteria-style restaurant, a health food market, and a local breakfast restaurant as tenants. To the west is South Harper Avenue, a street restored and recently reopened to traffic and the location of the recently reopened Harper Theater. The university restored the exterior of the building, which had been shuttered for ten years, and gutted its interior. It reopened in January 2012. On the northwest corner of the block is a vacant restaurant and the Checkerboard Lounge on a site owned by the university and slated for development as part of Harper Court's



*Harper Court is located in a prime location in Hyde Park, with street frontages on major thoroughfares and direct access to the Metra train line, providing easy access to downtown Chicago. Pictured is the South Lake Park Avenue frontage as seen from the transit station.*

second phase. On the northeast corner of the block is a McDonald's. To the east of the project, South Lake Park Avenue and the Metra commuter-rail station provide easy access to downtown Chicago.

## The Idea and the Concept

The site and surrounding streetscape had been deteriorating for several decades, and in the early 2000s the city of Chicago and the university began collaborating and looking at ways to revitalize the area, which is several blocks from campus. "We were trying to create a thriving commercial corridor just off campus that would help us compete better for students, scholars, and faculty, while also making a contribution to the local community," notes James Hennessy, associate vice president for commercial real estate operations at the university.

The revitalization process began in earnest in 2001 when the city established the 53rd Street tax increment financing (TIF) district, which was designed to stimulate investment and help bring about revitalization in the area. The city and the university also held a series of community visioning workshops that brought forth community ideas and desires regarding redevelopment.

The university financially engaged in the revitalization process by purchasing the Harper Theater in 2002 and followed up with acquisition of the Harper Court site in 2008. The university

and the city then entered into a request for qualifications/request for proposals (RFQ/RFP) process to select a developer, and also contributed the land for the project. The revitalization effort also involves work at several other nearby parcels and projects, including renovation of the historic Harper Theater complex.

The development concepts and the uses chosen for the site were driven in part by university priorities. A principal objective was to revitalize the neighborhood to make it more appealing for residents, students, faculty, and visitors. Therefore, the university and the developers sought to develop a mixed-use project that would include new shops and restaurants to enliven and stimulate pedestrian activity in the area, as well as complement many of the existing retailers; also to be included was a much-needed hotel to serve visitors to the university, the university medical center, and the surrounding community. The university also saw the benefit of adding a major office component that it would lease and occupy, anchoring the project with a strong university presence, increasing activity in the area, and strengthening demand for retail and hotel uses on the site. Residential uses are being considered for possible incorporation in a later phase.

A key premise for developing the retail portions of the project was that many Hyde Park residents and visitors were commuting into the

# HARPER COURT SITE PLAN



The Harper Court plan has sought to repair and enhance one block within the urban fabric of Hyde Park, offering pedestrian-friendly features on both the surrounding streets and on the internal court. The office space is located on the lower right of the plan.

city to visit retailers and restaurants, leading to considerable market leakage that the developers and the university wanted to capture in the neighborhood. This was also true regarding the potential hotel use: most visitors to the university, the medical center, and the neighborhood stayed in hotels located in the Loop, downtown Chicago, and the River North area.

## The Development Team

The developer selected via the RFQ/RFP process—Harper Court Partners LLC—is a joint venture of Vermilion Development and JFJ Development. A major equity investor also brought into the deal was Canyon-Johnson Urban Funds (CJUF), an investment fund entity that manages a series of joint ventures between Canyon Capital Realty Advisors and Earvin “Magic” Johnson.

Vermilion Development was founded in Vermilion County, Illinois, in 1992 and was part of a larger industrial enterprise. In 2012, it was spun off by its CEO, David Cocagne, who now owns the company. The firm, originally focused on office, manufacturing, and warehouse development, evolved to undertake development partnerships with cities, universities, and health care institutions throughout the Midwest.

Vermilion partnered with JFJ Development, adding local Chicago development experience. An existing relationship between JFJ Development CEO Jon Zitzman and Vermilion managing director Chris Dillion brought the two firms together. JFJ is a developer specializing in residential projects,

including a series of projects in the Chicago’s River North, Lincoln Park, and Lakeview neighborhoods. JFJ brought local know-how and relationships to the project, including a development team that included the project architect and the contractor, which JFJ had worked with in the past.

The hotel developer—SMART Hotels/Olympia Chicago LLC—had been looking for a site in the area for some time and had developed contacts with the university during the process. The university put the firm in touch with potential developers that were participating in the RFQ/RFP process. Subsequently, the university and Harper Court Partners selected SMART Hotels/Olympia Chicago to develop the proposed hotel. The hotel developer is a joint venture of SMART Hotels LLC, a firm that specializes in boutique-style hotels for campuses and medical centers, and the Olympia Companies, a second-generation, family-owned hotel development and management company. The hotel developers believed that the university and the medical center would be strong drivers for the hotel, notwithstanding the lack of other hotels in the area. The redevelopment plan for the neighborhood was also a favorable consideration.

## The Development and Approval Process

Redevelopment efforts officially got off the ground when the university bought the property in May 2008 for \$6.5 million. An RFQ was jointly issued by the university and the city in

December 2008, and the submissions were narrowed to a short list of developers who were invited in February 2009 to submit proposals; four proposals were advanced in June 2009. The university and city selected Vermilion and JFJ as the developer in January 2010. The project benefited from the support and leadership of the city of Chicago, then-Alderman Toni Preckwinkle, current Alderman Will Burns, the South East Chicago Commission, the Hyde Park Chamber of Commerce, and the Metropolitan Planning Council.

The Harper Court Partners proposal was favored and eventually chosen for several reasons, including the high quality of the plan, which featured an internal street; the financial plan; the developer’s experience with university-related projects; and the developer’s general rapport with the city and university development team.

The entitlement process, which was simplified because the city was behind the project, involved significant public participation, including numerous visioning workshops. A special planned development ordinance was implemented for the site to allow for the mix of uses. Notes Cocagne, CEO of Vermilion, “The community was very vocal during the visioning process, and we went to great lengths to ensure that the community’s voice was heard. In the end, we got unanimous support from the TIF council.”

The developers faced several issues in preparing the site for development, including relocation of two existing tenants, environmental remediation, and utility relocation. In addition, the original South Harper Avenue had been closed to traffic and encompassed a below-grade public plaza. The city restored the roadway to street level and reopened it to traffic, work undertaken while Harper Court was under construction.

## Development Finance

Financing the project was not easy during a challenging time in the real estate market. At closing, the total estimated cost was projected at \$106,395,000, and the actual costs thus far have generally been in line with these estimates.

Fundamental to the financing effort, especially the office/retail component, was the fact that the university had agreed to pre-lease the entire office building. The financing was further supported by the pre-lease of a significant component of the retail space to LA Fitness, as well as the ground lease structure of the retail/



The corner of 53rd Street and South Lake Park Avenue. LA Fitness is a key tenant in the project, occupying 32,860 square feet of space on the third level, with a ground-floor lobby.

office component, which reduced the upfront costs for the developer. Harper Court Partners has the right to buy out the ground lease for \$761,111 once the project is stabilized. The developers plan to exercise that option if and when the time is right; however, the university also has a purchase option to acquire the entire project, which it was seriously exploring as of October 2013. The hotel parcel, including some below-grade parking, was sold to SMART Hotels LLC and affiliates for \$4 million in August 2012. Under the terms of the partnership, Harper Court Partners was able to capture the proceeds of this sale even though the land was a ground lease.

In addition to Vermilion and JFJ's equity of \$2.5 million, Canyon-Johnson Urban Fund III provided \$14.1 million of equity for the project in October 2011. Notes Cocagne of Vermilion, "It was a very difficult time in the financial markets, and many investors were focusing on distressed properties—if they were looking at new opportunities at all. Canyon-Johnson was one of the few at the time that was interested in new development projects." Citi Community Capital provided around \$65 million in construction financing, and Chicago-based PrivateBank & Trust also funded part of the construction loan. The Chicago Department of Housing and Economic Development was also involved in the deal, providing some of the land, and the project benefited from \$20 million in tax increment financing via the 53rd Street TIF district.

Canyon-Johnson was attracted to the project for several reasons. First, it fit with its mission of investing in the development and redevelopment of real estate in densely populated, ethnically diverse urban communities. Second, the presence of the University of Chicago as a partner was a huge plus for the project, especially as the sole tenant of the entire office building. "Hyde Park is exactly the kind of community in which Canyon-Johnson invests," notes Bobby Turner, managing partner of the firm. "It enjoys density and diversity, and its close proximity to the University of Chicago makes it an even more attractive location for CJUF investment."

Long-term financing for the hotel was secured through MB Financial Bank using federal recovery-zone facility bonds issued by the Illinois Finance Authority, with the cooperation of the city of Chicago. Without this financing, the hotel probably could not have gone forward

because there was little debt financing available for a hotel at that time. A major challenge for the hotel developer was that, from the time it was selected for the project, it had only ten weeks to hire an architect and complete schematic design, negotiate its franchise and project agreements, and close on the recovery-zone facilities bond financing program, which expired at the end of 2010. Quick work was required to execute all the agreements involved. This financing is for a term of 20 years with a floating-rate loan that has been hedged. The developers also put substantial equity into the project, commensurate with typical requirements during that time of the real estate cycle. The hotel developer also received \$3 million in TIF funds from the city for its portion of the project.

Additional financing will be necessary for later phases of the project, which will include up to 400,000 square feet of residential, hotel, and additional office space.

## Planning and Design

The university was very involved in the design of the project and influenced many of the decisions regarding the plan, materials, and architectural elements. The project design team also incorporated significant input from the community. The plan that resulted organizes a mix of three uses (eventually four) around a new street called Harper Court, an L-shaped private street that connects 53rd Street, the main commercial street in the neighborhood, with South Harper Avenue, the street that was rebuilt and reopened by the city. The idea for the court and internal street was a critical feature in the overall design, and one reason the developers were selected to develop the project. Notes architect Sophie Bidek of Hartshorne Plunkard Architects, "The original pedestrian plaza on the site had been successful and was home to a farmers market, and we wanted to give that space back to the community."

**Street/plaza.** The Harper Court roadway itself was designed to be casual, inviting, and pedestrian friendly, and encompasses about 40,000 square feet. Though it is a street, it feels more like a plaza; its minimal curbs and numerous benches and planters encourage pedestrian movement across the court. The L shape also minimizes through-traffic and keeps speeds down. The Harper Court plaza also can



*The office building rises 12 stories, providing views of Lake Michigan, the University of Chicago, and downtown Chicago. The office space is 100 percent leased to the university.*



*The L-shaped plaza in Harper Court, as seen from the 53rd Street entrance, with the hotel on the left. This street/plaza is owned by the developer and can be closed for community events.*

serve as a venue for farmers markets and other community events, and can be closed to traffic. The street is lined with numerous restaurants that offer outdoor seating, enlivening and activating the space.

**Office.** The largest element in the project is the 12-story office building, which fronts on 53rd Street, with the office lobby located off 53rd Street on Harper Court. It also faces onto South Lake Park Avenue and the Metra rail line. The building contains 150,000 square feet of leasable office space and is clad in a green glass curtain wall. The top two floors are set back to create a roof garden on the south and west sides of floor



*The parking-level windows add color and light to the space at night, unlike most parking garages, which often have harsh white lighting. Pictured is the office building as seen from 53rd Street.*

11, offering views of the University of Chicago in the distance. The building also has a green roof.

**Hotel.** The hotel fronts on South Harper Avenue across from the Harper Theater, and has significant frontage along Harper Court as well, including one ground-floor space near the elbow of the L-shaped court that will be leased to a retail tenant. The hotel is clad in materials generally more expensive than typically would appear in a Hyatt Place hotel, including porcelain tile from Italy and zinc shingles. These higher-quality materials were chosen in part to meet the university's desire for a high-quality project. The hotel was constructed in 13 months. It has 131 guest rooms, more than 1,200 square feet of meeting/function space, and a Coffee to Cocktails Bar that serves specialty coffees and premium beers, as well as wines and cocktails. The plan prescribed a narrow urban site for the hotel, which required the hotel designer to be creative in laying out the interior for a fairly tight ground floor.

**Retail.** The retail space is arranged on three primary frontages, each with its own distinctive

character: Harper Court, where the design encourages a leisurely pace for retail/restaurant patrons to linger; 53rd Street, which offers a more typical street environment with pedestrian traffic and passing cars; and South Lake Park Avenue, which is designed to offer high retail visibility to the adjacent arterial street and the Metra train line and station. The design allows retail tenants to have their own unique signs, but with some restrictions regarding size, type, and brightness. The LA Fitness space, which is reached from South Lake Park Avenue, is located on the third level, both within the office building and atop the garage adjacent to the office building.

**Residential.** A residential entrance and lobby have been built into the ground floor plan near the elbow of Harper Court, and future plans call for a residential building to rise above this elbow at the northeast corner of the project.

**Parking.** The entire project, including the court, is built over a one-level underground parking garage that is reached from 52nd Street; the garage is designated for use by office tenants,

hotel guests, and LA Fitness members. The project's public parking, designated for retail use, is located on the second and a portion of the third floors of the office and retail building, and is reached from South Lake Park Avenue through a more accessible and visible parking entrance. Additional parking can be added to the above-grade parking area in future phases. The above-grade parking is cleverly concealed from Harper Court and surrounding streets by a beige wall/screen that is permeable to air and light, and that includes numerous opaque amber and red windows that are especially colorful at night. This facade, which looks like a solid wall, does not obviously present itself as a parking garage. There is no direct connection between the two parking garages because they are intended for different users.

The developers were able to reduce the required parking because of the shared parking among uses and, more important, the proximity of the transit station just across South Lake Park Avenue. The two separate garages have a total of 518 parking spaces. The hotel is overseeing valet parking for the entire project.

**Green features.** The project received a Gold rating under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) for Neighborhood Development program. LEED certifications are also being sought for new construction, core and shell, and the building's commercial interiors, making the building the first in the country to pursue all these designations. The hotel developer is also committed to green and healthy features for the hotel. Notes Ed Small, president of SMART Hotels, "It is difficult to quantify the value of these green features, but we believe a sustainable building approach is the right thing to do and will ensure the hotel remains relevant and competitive well into the future."

Other sustainability features include a rainwater collection system, district-energy mechanical systems, a bike-sharing program, and a green roof on the office building.

## Project Marketing, Leasing, and Management

Harper Court was 82 percent pre-leased when construction began, and as of October 2013 it was 96 percent leased, including 100 percent of the office space leased to the University of Chicago. The university lease was put together very early in the development process and was essential to the project's feasibility.

**Retail leasing.** The retail marketing and leasing plan has positioned the project as the heart of a larger retail district that includes or will include other redevelopment sites, including the Village Center redevelopment to the north, which will feature a Whole Foods. Notes Chris Dillion of Vermilion, "By any measure this is a high-barriers-to-entry retail market, with limited availability of quality retail space. Hyde Park has become an attractive entry point for expansion on the South Side." Lining up apparel retailers has been difficult; restaurants have been easier to recruit. LA Fitness was among the first retail tenants to sign a lease, taking 32,860 of the 75,000-square-foot retail component.

Retail space is positioned and marketed along three frontages: Harper Court frontage on the interior court, 53rd Street, and South Lake Park Avenue. The Harper Court frontage features Chicago-based restaurant concepts, including Ja' Grill from Chicago's Lincoln Park neighborhood and Porkchop from Chicago's West Loop, along with strategically selected

national tenants, such as Red Mango Yogurt and Native Foods Café. Harper Court frontage also includes the entrances to the office building and the Hyatt Place hotel. This area features outdoor seating and unique lighting, creating a public space that offers an attractive atmosphere for outdoor dining and gathering. Retail and restaurant tenants can customize storefronts and facades, creating a small, intimate environment. Rents are generally in the \$30-per-square-foot range.

The 53rd Street frontage is anchored by Chipotle and Starbucks, and one space currently is being marketed. Rents are highest on this frontage, generally in the range of \$40 to \$45 per square foot. Restaurants Five Guys Burgers and Fries, A10, and Yusho Hyde Park, plus fashion retailer Akira, are also located along this street frontage in affiliated projects, but are not part of Harper Court.

The highly visible frontage along South Lake Park Avenue has served as Hyde Park's national retail destination for decades. A total of 20,500 vehicles and 36,200 Metra passengers pass this frontage daily. Retail tenants on this frontage include the 32,860-square-foot LA Fitness on the third level, and the 8,890-square-foot ULTA Beauty, fashion retailer Villa, and AT&T Wireless at grade. One space remains vacant near the corner of 53rd Street.

The newly reestablished South Harper Avenue is anchored by the hotel and the off-site anchor to the south across the street, the Harper Theater, which is not part of the project. The theater is dedicated to first-run and arts-based films, and will be complemented off site by Kilwin's, which sells confections and ice cream. The theater is an important anchor for the entire district.

Retail leasing for Harper Court is being handled by McCaffery Interests, which is also managing the retail leasing for other properties in the area that are owned by the university. Property management for Harper Court is handled by the John Buck Company. Sierra USA is the broker for the hotel retail unit.

A Saturday farmers market operated on the site for many years before redevelopment, and the developer plans to revive it at the site in 2014.

**Hotel positioning.** The hotel has been branded as the Hyatt Place Chicago South/University Medical Center hotel, and began operating on September 17, 2013. It has been positioned as a boutique-style hotel targeted to business travelers, students and their families, visitors to the medical center, and tourists. The Hyatt Place brand was launched in 2006 to bring the Hyatt approach to the select-service hotel category, serving business travelers and families. The hotel is within five miles of the McCormick Place Convention Center and Soldier Field, home of the Chicago Bears, and is marketed to people visiting those venues as well. The hotel is the first to open in Hyde Park in over 50 years.

Guest amenities at the LEED-certified hotel include a restaurant, a pool, a fitness facility, meeting space, and dedicated underground parking. A wine bar with sidewalk seating makes the hotel a destination on evenings and weekends. The operator of the hotel is Olympia Hotel Management, a subsidiary of the Olympia Companies, one of the hotel owners. Opening room rates were \$170 per night, and rates are expected to climb over \$200 per night during periods of high demand. Initial demand has



*The internal street in Harper Court as it turns toward South Harper Avenue. Storefronts in this area are devoted to restaurants and other food services. Structured parking is on the second level, with open-air parking on the third level.*

been strong, but full stabilization is not expected for two years.

**Public relations.** The project has generated considerable press attention and positive community benefits. All the press releases and public relations for the project were handled in-house by the developers or the university, and generally included press releases for major project milestones and retail tenant signings.

Positive public relations outcomes include estimated annual property taxes generated by the Harper Court project topping \$1 million at project completion, growing to more than \$2.1 million by 2016. The project also created about 800 construction jobs and is expected to create around 350 permanent retail jobs and 150 permanent hospitality jobs. The office component will house about 600 employees.

## Observations and Lessons Learned

The initial success of the project, started during a time of significant distress in the commercial real estate market, was due largely to the strong commitment to the project by the University of Chicago and the city. Partnering with cities and educational institutions during down market cycles can be extremely beneficial for all parties involved because 1) it allows developers to stay active and engaged in development during slow periods, and 2) it allows cities and universities to pursue development objectives at reduced costs when development and construction economies are in the doldrums.

Developing strong partnerships is important in complex projects such as Harper Court. Vermilion's partnership with JFJ was a critical teaming decision for the project, coupling Vermilion's expertise in public/private partnerships with the experience of a veteran Chicago developer. Partnering with a hotel developer focused on university-based projects was also a good fit, and the partnership with Canyon-Johnson was essential to bringing much-needed equity to the deal. Complex mixed-use projects require good partners who share the same vision but who also can bring complementary skills to the project.

The developer's listening skills during the community visioning process were essential. The developer worked hard to hear community constituents and make sure their desires were represented in the final product. Having community members behind a development project is

invaluable, while having them opposed to it can be disastrous.

A layered and phased financing approach, including a variety of capital sources brought into the process over time, was essential to financing the project. The ground lease and the TIF funds reduced upfront equity requirements for Harper Court Partners; the recovery-zone facility bonds secured in late 2010 made the hotel deal possible; Canyon-Johnson's equity investment and the bank financing were provided at the start of construction in October 2011; and the land sale to the hotel in August 2012 freed up cash during the construction phase. This phasing and layering of financing over time allowed the project to unfold with adequate funding in place for each stage at a time when financing development was very difficult.

Harper Court includes a number of features that have established it as a healthy place. The mix of uses, the internal street, and the various restaurants within the project have created a much-needed new center of social activity for the neighborhood and the university, strengthening both. The project has revitalized a strategic site in a historic neighborhood and has solidified the area around a key transit station, enhancing it as an attractive and safe location. The pedestrian-friendly and transit-friendly nature of the design, including attractive streetscapes both internally and externally, encourages walking within the neighborhood. The project's LA Fitness facility is a major amenity and asset for tenants, visitors, and residents seeking to get exercise and stay fit. And the green features of the buildings and the project generally, including those that ensure indoor air quality and energy efficiency, are exemplary.

Thus far, Harper Court has been successful for the university, the city, the developer, and the community, and has gone a long way toward reestablishing Hyde Park as a highly desirable place to live, work, and visit. •

## OTHER RESOURCES

### ULI videos on Harper Court

<http://www.youtube.com/user/ULITV>

## DESIGNERS, CONTRACTORS, AND CONSULTANTS

### Principal architect

Hartshorne Plunkard Architecture  
Chicago, Illinois  
312-226-4488  
[www.hparchitecture.com](http://www.hparchitecture.com)

### Hotel architect

Legat Architects  
Chicago, Illinois  
312-258-9505  
[www.legat.com](http://www.legat.com)

### University architect

Beyer Blinder Belle LLP  
New York, New York  
212-353-6788  
[www.beyerblinderbelle.com](http://www.beyerblinderbelle.com)

### Office/retail/parking construction

McHugh Construction  
Chicago, Illinois  
312-821-0324  
[www.mchughconstruction.com](http://www.mchughconstruction.com)

### Hotel general contractor

Wm. A. Randolph Inc.  
Gurnee, Illinois  
847-856-0123  
[www.warandolph.com](http://www.warandolph.com)

### University consultant

Sirefman Ventures Inc.  
New York, New York  
212-977-5499



## PROJECT INFORMATION

### Development timeline

Site purchased by university	May 2008
Planning started	December 2008
Developer selected via RFP	January 2010
Leasing started	January 2010
Hotel secured bond financing	December 2010
Canyon-Johnson committed equity	June 2011
Demolition started	Summer 2011
Office/retail construction started	October 2011
Hotel site sold/construction started	August 2012
Office/retail core and shell completed	June 2013
Hotel opened	September 2013
Office/retail opened	October–November 2013

### Land use plan

Use	Area (acres)	Percentage of site
Buildings	1.6	51%
Streets/surface parking	0.7	21%
Landscaping/open space	0.9	28%
Total	3.18	100%

### Gross building area

Office	178,038 sq. ft.
Retail	82,972 sq. ft.
Hotel	83,947 sq. ft. (including 2,000 sq. ft. of retail)
Parking	248,545 sq. ft.
Total	593,502 sq. ft.

### Leasable area

Office (net)	150,000 sq. ft.
Retail (gross)	75,775 sq. ft. (including the retail in hotel)
Hotel	131 rooms

### Office information

Percentage leased (as of August 2013)	100%
Number of tenants	1
Tenant size	150,000 sq. ft.
Annual rent	About \$20 per sq. ft.
Length of lease	20 years
Lease terms	Triple net

### Hotel information

Number of rooms	131
Typical room rate	\$170–\$210

### Retail information

Total gross leasable area	73,775 sq. ft.
Percentage of GLA leased (as of August 2013)	88%*
Annual rents	\$28 to \$45 per sq. ft.
Average length of lease	10 to 15 years

Key retail tenants	Type	GLA (sq. ft.)
LA Fitness	Health club	32,860
ULTA	Cosmetics	8,890
Villa	Clothing	3,757
Native Foods Café	Food service	2,895
Ja' Grill	Food service	2,500
Porkchop	Food service	2,500
Chipotle	Food service	2,492
AT&T Wireless	Other	1,975
Starbucks	Coffee	1,800
Red Mango	Yogurt/smoothies	1,243

\*The core/shell construction was completed June 10, 2013, and the retailers undertook tenant improvements thereafter.

## DEVELOPMENT BUDGET (Budget at closing, excluding hotel and Phase II costs)\*

### Land/acquisition costs

Purchase price	
Vacating of alley (paid to the city of Chicago)	\$732,200
Purchase price (paid to the University of Chicago)**	\$761,111
Tenant relocation (Calypso Café)	\$320,000
Tenant relocation (newsstand)	\$18,000
Lake Park Associates land acquisition**	\$6,045,000
Appraisal fee	\$15,000
Transfer taxes	\$200,000
Ground-breaking ceremony	\$40,000
Environmental remediation (special waste)	\$865,776
Utility relocation	\$846,507
Real estate taxes (during construction)	\$250,000
<b>Total land/acquisition costs</b>	<b>\$10,093,594</b>

### Hard costs

Infrastructure	\$2,488,218
Parking structure	\$18,424,331
Core/shell	
Retail	\$5,804,190
Fitness	\$6,520,423
Office	\$23,941,331
Common area (unallocated)	\$632,818
Construction manager/owners representative	\$828,097
Permits/fees	\$844,325
Builders risk insurance	\$91,000
Construction testing and inspections	\$523,415
LEED certification costs (hard costs)	\$20,000
General liability umbrella, pollution site-specific liability, workers' comp	\$354,341
Miscellaneous exclusions	\$63,000
Hard-cost alternates	\$553,713
Hard-cost contingency	\$3,004,418
<b>Total hard costs</b>	<b>\$64,093,618</b>

### Tenant costs

Tenant improvements	
Retail	\$2,260,825
Fitness	\$1,889,100
Office	\$6,750,000
Buildout finish	
Retail	\$2,097,002
Office	\$674,912
Broker fees	
Retail	\$969,787
Fitness	\$385,691
Tenant cost contingency (excludes office and fitness)	\$217,891
<b>Total tenant costs</b>	<b>\$15,245,209</b>

### Soft costs

Construction-period interest	\$2,310,000
A-note financing costs	\$1,715,500
Title insurance	\$35,200
Legal work	\$2,750,000
Draw administration	\$36,000
Architecture and engineering	\$2,806,217
LEED certification costs (soft costs)	\$205,540
Environmental/geotech/soils consultant/reports	\$81,849
Hotel pad delivery contingency	\$1,200,000
Miscellaneous consultants, accounting, and oversight	\$460,250
Surveying (preconstruction/construction)	\$50,000
Financing fees	\$1,069,140
Marketing/promotion	\$90,000
Soft-cost contingency (excludes financing costs and development fee)	\$338,602
Development fee	\$3,814,281
<b>Total soft costs</b>	<b>\$16,962,578</b>
<b>Total project cost</b>	<b>\$106,395,000</b>

\*The actual costs thus far are generally in line with the total project costs in this budget, but there were significant differences in individual line items; some were lower and some were higher. Most notably, legal fees were higher than budgeted.

\*\*Even though the land is on a ground lease, land acquisition costs were itemized in the closing budget for the purpose of obtaining the TIF funding. Harper Court Partners has the right to buy out the ground lease for \$761,111 once the project is stabilized.

## FINANCING SOURCES FOR OFFICE/RETAIL/PARKING

### Uses/sources

Uses	Amount	Percentage
Land costs	\$10,093,594	9%
Hard costs	\$64,093,618	60%
Tenant costs	\$15,245,209	14%
Soft costs	\$16,962,578	16%
<b>Total uses</b>	<b>\$106,395,000</b>	<b>100%</b>
Sources	Amount	Percentage
Senior debt	\$65,000,000	61%
TIF (A-note face value)	\$12,000,000	11%
TIF escrow payment	\$2,000,000	2%
City fund for construction-period interest	\$750,000	1%
Land contribution (noncash cost)	\$6,045,000	6%
Equity* (excluding land conveyance value)	\$16,600,000	16%
Land sale proceeds (hotel development)	\$4,000,000	4%
<b>Total sources</b>	<b>\$106,395,000</b>	<b>100%</b>

\*Equity included about \$2.5 million from Harper Court Partners and \$14.1 million from Canyon-Johnson Urban Funds.



## About the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

Established in 1936, the Institute today has nearly 30,000 members, representing the entire spectrum of land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, academics, and students.

ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both the built and natural environment;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

**Patrick Phillips**, Chief Executive Officer

*The development of this case study was generously underwritten by the law firm Allen Matkins.*



## About Allen Matkins

Allen Matkins is a California-based law firm specializing in serving the real estate industry. The firm has more than 200 attorneys in four major metropolitan areas of California: Los Angeles, Orange County, San Diego, and San Francisco. Its core specialties include real estate, real estate and commercial finance, bankruptcy and creditors' rights, construction, land use, natural resources, environmental, corporate and securities, intellectual property, joint ventures, taxation, employment and labor law, and dispute resolution and litigation in all these matters.

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## ULI CASE STUDIES

The ULI Case Studies program highlights and showcases innovative approaches and best practices in real estate and urban development. Each case study provides detailed information regarding the ideas, plans, process, performance, and lessons learned for the development project. Each also includes project facts, timelines, financial data, site plans, photos, location maps, and online videos. The new ULI Case Studies program is the revitalization of a program begun in 1971. ULI Case Studies are offered as a ULI member benefit and via subscription for nonmembers. For more information, visit the ULI Case Studies website at [www.uli.org/casestudies](http://www.uli.org/casestudies).

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