

Area Focus: Chicago

Hyde Park Hold Out

Developers speculate on neighborhood's next steps following contract fallout



By Jenn Danko

The University of Chicago's decision to terminate a contract to sell the Harper Theater building on East 53rd Street and South Harper Avenue has left some unanswered development questions for the Hyde Park neighborhood. With U of C now owning the Harper Court shopping center and the theater building, development is on hold in an area some developers believe has the potential to be Chicago's next bastion of boutiques and national retailers.

"If you look at Bucktown a decade ago, it was a similar situation," says David Baum, principal of Baum Realty Group LLC. "There was good public transportation, good housing stock, the demographics were good, but the services and retail didn't exist."

Baum hoped to connect the dots in Hyde Park—until U of C opted out of the contract. The university required a certain percentage of the space to be leased within a set time frame. While Baum had several tenants on board, it wasn't enough to meet the quota.

The contract was terminated in late May.

"It's certainly indicative of the market at some level," Baum says, speaking to the faltering retail climate and inability to land enough tenants. He toured several national retailers to the site but none of them committed. "There are a lot of people not ready to pull the trigger. We're getting deals done, but (tenants) are just more guarded right now."

Baum, which partnered with Brinshore Development LLC in the contract, envisioned Hyde Park's hub to in-

clude a vibrant, mixed-use development of retail, office and entertainment. The Harper Court shopping center already landed an A-list restaurant tenant with Jerry Kleiner's Park 52 (5201 South Harper Avenue), which opened in April 2008. The risk-taking restaurateur—whose business moves are often as bold as his flavors—once opted to set up shop on Randolph Street and in the South Loop before they bustled as mixed-use success stories. Baum and Brinshore hoped his arrival would be a sign of future development.

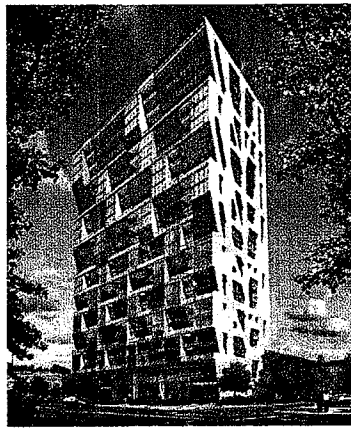
But the university had other plans. Weeks prior to the contract termination to sell, it purchased Harper Court from the Harper Court Arts Council for \$6.5 million—along with control of future neighborhood development. Now progress remains locked in a holding pattern.

"It's still going to be two years before a projects ready to move dirt," says Barry Schain, principal of Next Realty. In April, he spoke at a public forum involving the Hyde Park community that looked at retail options for a neighborhood on-the-brink. He says Hyde Park has a long way to go before it experiences a retail revival.

"I don't think Hyde Park is going to turn into the next boutique shopping district . . . today, people are trying to create a genuine experience," he says. "You have to ask, what is something that Hyde Park can do to create a genuine experience?"

Almost Perfect?

The sidewalks along East 53rd Street are a genuine mix of drug stores, nail salons and the occasional mom and



Pictured far left: East 57th Street and Harper Avenue is an established stretch of redeveloped businesses. Could East 53rd Street be the next to see a retail boom? Above: The streetscape of East 53rd Street welcomes bikers and pedestrians. Near left: Architect Jeanne Gang of Studio/Gang Architects designed the forthcoming Solstice on the Park.

pop retailer. Starbucks first anchored the 1500 corner of 53rd street several years ago, while a Pizza Capri attracts lunch crowds across the way. Further east, neighborhoods staples such as Mellow Yellow and Valois serve affordable meals minus the glitz.

Overall, retail development on a street that once boomed in the '20s and '30s has been slow. The neighborhood's history, diversity and accessibility, coupled by the anchors of U of C and University of Chicago Hospital, make it a successful investment on paper. But Schain says there's a bigger reason not enough national tenants bit.

"Hyde Park has some good building blocks . . . most retailers in the suburbs would kill to find the demographics," he says. "The problem here is size and price. If you are a national retailer, you can't find a continuous piece of land that gives me the size I need."

Grubb & Ellis Co. reports that asking net rates for retail space in Hyde Park averages between \$25 and \$35 per square foot. Most of these apply to smaller, older buildings that are renovated.

And finding a place for new construction in Hyde Park would prove difficult. Securing a national anchor tenant would be the first hurdle the neighborhood has to clear; then would come feasibility, he says. The viaduct along Lake Park Avenue creates a kind of retail divide between the east and the west. And unlike a retail model such as the six-points of Bucktown and Wicker Park, Hyde Park lacks the kind of streetscape that would promote continuous pedestrian traffic.

"Bucktown has a beautiful figure eight configuration for retail," Schain

says in comparing retail models. Patrons who visit shops on Damen can take a short walk to a completely new retail corridor on Milwaukee or even North Avenues. The convenience created a hotbed for development, he says. "Damen happened first and now Milwaukee is popping—it just turned out beautifully," he says.

Baum says all it will take is commitment from one national retailer for others to jump, thus creating a kind of retail domino effect.

"The neighborhood is waiting for someone to take the first step," he says. "There's sort of a log jam . . . there's no one next store that gives them the confidence that says, 'I did \$40 a foot so, so can you.'"

Leakage Studies
LISC MetroEdge, a retail market research firm, reports that while retailers may not have flocked to storefronts in the widely vacant Harper Court shopping center, leakage numbers support that the need for services in the neighborhood remains high. Apparel and home improvement stores showed the highest percentage of leakage; clothing retail showed an annual \$17.13 million while home improvement topped the list at \$37.32 million. Of the five categories, only drug stores and restaurants showed marginally positive absorption.

Alternatively, a viable service base exists in Hyde Park. MetroEdge reports that the household median income is \$46,665 for its population of 32,767 people.

"People who live there don't shop there, don't eat there—but the science is there," says Baum, pointing not only to population base, but the job base created by the university and hospital. Hyde Park's rich architecture adds to the draw.

Schain says now that the U of C is the owner of a cluster property that includes the former theater and Harper Court, securing a larger anchor tenant may be within reach.

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Several Chicago restaurateurs are rumored to be showing interest in the area now that Kleiner has moved in; if this happens, the area may interest a larger music or dinner cinema venue. He also suggested that U of C consider its core educational mission when developing the area, including unique gallery spaces or a theater not unlike the Gene Siskel Film Center in downtown Chicago.

"That's the nice advantage of having the university own the property instead of a developer," Schain says. "Instead of retail, maybe they can get an anchor there as a cultural destination."

Olympic Dreams

The Hyde Park neighborhood will become a destination in itself if Chicago is chosen as the Olympic host city in 2016. With nearby Washington Park slated to house Olympic Stadium, developers say the prospects are both good and bad for progress.

"We don't need the Olympics to make this neighborhood good, but it's adding speculation," Baum says. "That's good and bad because I think there are people who are sitting on buildings and not necessarily doing anything with them . . . someone may not only hold onto last year's prices, but also the hope of the Olympics com-

Expenditure Leakage By Five Sample Store Types		
Services	In Millions	Sqaure Feet Potential
Home Improvement	\$37.32	170,392
Apparel	\$17.13	54,920
Grocery	\$0.16	648
Restaurants	(\$0.19)	-402
Drug Stores	(\$6.51)	-13,733

Hyde Park residents are underserved in the top three retail categories, meaning they spend money for these goods and services outside the neighborhood. Residents are well-served in the two bottom categories. There is no leakage of dollars to other areas.

Source: 2007 data provided by LISC MetroEdge

ing here. That disconnect potentially eliminates development and development is what the neighborhood needs."

Schain is more skeptical of the economic benefits the Olympic games may bring to Hyde Park and its development standstill. Any potential development surrounding the games will likely not affect the East 53rd Street and South Harper Avenue longer than the 10 days of the event.

"What people should be considering is, is this the potential home for the Barack Obama Presidential Library in four years?" he asks. "Real estate is something that has to be used 365 days a year—you don't sign a 10-day lease."

Solstice on the Park

Future condominium buyers will sign a much longer lease if they take in-

terest in the forthcoming Solstice on the Park condominium tower. New-Jersey based developer Antheus Capital LLC, which is also one of the largest property owners in Hyde Park, is moving forward on the neighborhood's first new multifamily high rise in more than 30 years.

Antheus Capital Partner and Founder Eli Ungar says the time is right for development in the area, despite a touchy market.

"The growth of the university and hospital and development of Hyde Park has underscored the residential," Ungar says.

Enter architect Jeanne Gang of Studio/Gang architects. In addition to her design of Solstice on the Park, she is the eye behind Lakeshore East's Aqua Tower near Chicago's lakefront.

Gang's Hyde Park tower includes 147 residences ranging from 1,550 to 4,200 square feet. She bucked the trend of including one-bedroom units, opting only for two- and three-bed residencies that range between \$480,000 and \$2.55 million. The building, located at the corner of 56th and Cornell Avenue, across the street from the Museum of Science and Industry, is expected to earn LEED Silver certification from the US Green Building Council.

@properties is handling the sales and marketing of the property, and at press time, reported sales were strong in the first month of leasing.

Schain says that while the new residential development may come with its good will, he doubts it will have much impact on the future of retail development.

Ungar sees Solstice on the Park as an opportunity to give potential retail development a boost.

"I think that one of the reasons that Hyde Park has struggled to attract retail activity is there has been in sufficient density," he says. "This development will add back some density. The population of Hyde Park today is lower; part of the solution to retail is a well located, high design large density building." EJ