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## **Apartment-style hotel planned for West Loop landmark**

The historic—and long-vacant—Mid-City Trust & Savings Bank building is poised to be transformed into 80 units.

**DANNY ECKER**



801 W. Madison St.

CoStar Group

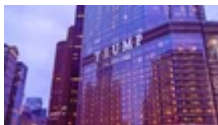
The historic—and long-vacant—Mid-City Trust & Savings Bank building is poised to be transformed into 80 units.

An upstart hotel company that frames itself as a cross between Airbnb and traditional inns has purchased a long-vacant West Loop landmark where it plans to spend more than \$20 million turning the property into its biggest location to date.

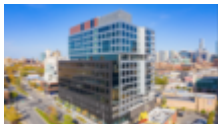
A venture of Chicago-based Neighborhood Hotel paid \$14 million late last month for the six-story building at 801 W. Madison St., according to sources familiar with the deal. The company bought the historic 82,000-square-foot property at the southwest corner of Madison and Halsted streets—landmarked as the former Mid-City Trust & Savings Bank building—from a venture of Monaco-based investors that had owned it since the mid-1980s.

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The deal tees up the redevelopment of a building that was previously the corporate headquarters of MB Financial Bank but has sat empty for more than a decade while the area around it has changed dramatically. The Neighborhood Hotel company, which launched its first location in Lincoln Park in 2020, plans to convert the upper floors of the West Loop property into 80 apartment-style hotel units, by far the company's largest project to date, said Neighborhood Hotel CEO Jonathan Gordon.

"The business plan is to offer a well-equipped and designed base camp for travelers to go immerse in a neighborhood, with all the comforts of a vacation rental but the quality of a hotel," Gordon said.

"This is a special building and one of the last historic assets in the West Loop" that has yet to be redeveloped.

In addition to the Lincoln Park location at 2616 N. Clark St., Gordon has opened a Neighborhood Hotel outside New Buffalo, Mich., is redeveloping the former National Italian-American Sports Hall of Fame in Little Italy into a 35-unit hotel and recently bought another property in downtown New Buffalo for another location.

But none of those projects are as ambitious as 801 W. Madison. Gordon plans to overhaul the building's long-untouched office floors into hotel units with full kitchens, washers and dryers.

Current zoning allows a hotel on the property. The company will seek a Class L property tax designation from Cook County to move forward with the renovation, a program that lowers the assessed value on a historic property—thereby lowering its tax bill—over a 12-year period after a developer invests heavily in restoring it. Gordon projects that process and the interior work will put the hotel on track to open in early 2025.

Gordon is counting on the COVID-19-battered downtown hotel market being fully recovered from the pandemic by then. Though business travel has yet to return to pre-COVID levels, strong leisure demand in the city in recent months brought average hotel occupancy close to where it was in 2019.

Gordon is also betting that more visitors will prioritize his type of hotel over major hotel chains, whose loyalty programs are typically a big draw. Visitors to Neighborhood Hotel locations access rooms by a key code, access a 24-hour concierge service by text message and can opt in to turndown service during their stay, which is provided by a third-party housekeeping company.

"Guests are shifting their preferences and looking to stay at assets like ours," Gordon said. "They understand they don't need a 4-to-1 ratio of hotel employees to guests. . . .But they also appreciate

business-grade Wi-Fi and find it more rewarding to be in a residential setting rather than a traditional glass-and-steel tower with a hotel."

The average length of stay at a Neighborhood Hotel to date has been five days, with 55% of bookings coming directly through the company's website and the rest through short-term rental websites Airbnb and Vrbo.

Gordon launched the Neighborhood Hotel brand after working for years in the office sector, first as a broker representing companies in negotiating office leases downtown and then at Equity Commonwealth, a Chicago-based real estate investment trust led by Sam Zell. Gordon left his role as an asset manager after Equity Commonwealth sold off most of its properties in recent years, launching the Neighborhood Hotel after initially raising capital from more than two dozen investors.

Gordon said he aims to reach 750 rooms in the Neighborhood Hotel portfolio in the next five years.

The 801 W. Madison building became a Chicago landmark in 2012, joining a long list of former neighborhood bank buildings the city began designating as landmarks five years earlier. The West Loop building was built in 1911 and remodeled in 1928 to add a new exterior and remodel a grand banking hall on the first two floors. The building today is flanked by a Mariano's grocery store and luxury apartment buildings, and is kitty-corner from a Whole Foods.

Armando Chacon, president of the West Central Association community group, called the planned redevelopment of the bank building "extremely significant" and a great complement to a \$2.9 million city-funded streetscape project coming to Madison Street that will include speed bumps, sidewalk improvements and pedestrian islands, among other new features.

"It's been frustrating to see this building be dormant for so long. To know that it's coming back to life is nothing short of remarkable," Chacon said. "It's sort of the jewel of the street, and for the gateway (to Madison) to be in decay for so long has been really unfortunate."

CBRE Senior Vice President Marcello Campanini brokered the sale of the property to the Neighborhood Hotel.

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