

McCaffery tackles Children's Hospital redevelopment as South Works project lags

By: Alby Gallun August 15, 2011



Dan McCaffery, chairman and CEO of McCaffery Interests Inc.
Photo by: Erik Unger

A lot of developers don't have enough to do these days, but Dan McCaffery has the opposite problem.

Mr. McCaffery beat out some of the city's top real estate firms last month for the plum assignment to redevelop the Children's Memorial Hospital campus in Lincoln Park. It's one more job on a growing to-do list for a veteran Chicago developer with a taste for big, complicated projects—and some bruises from the recent real estate slump.

When Mr. McCaffery isn't courting retailers for his as-yet-unbuilt \$4-billion development on Chicago's south lakefront, he's working on a planned \$2.5-billion project just outside Washington, D.C. He paid \$160 million in June for a failed South Loop retail-and-apartment complex while preparing to give up one of his best-known downtown

properties, the Hotel Burnham, which is in foreclosure.

"We're not looking to do a whole lot more," he says.

The Children's job presents a big test for the 64-year-old former college football star from Canada whose résumé includes the former Quaker Tower overlooking the Chicago River, the Niketown store on Michigan Avenue and Flair Tower, a new 198-unit apartment building in River North.

With a shaky economy threatening to derail the real estate recovery, finding tenants and financing won't be easy, even for a project in affluent Lincoln Park. But Mr. McCaffery's biggest immediate challenge will be avoiding a fight with neighborhood residents like one that erupted over a project just a few blocks away, on the site of the former Lincoln Park Hospital.

"I'm not going to try to shove down people's throats that which they don't believe in," says Mr. McCaffery, chairman and CEO of Chicago-based McCaffery Interests Inc. "I would rather take a pass."

'I WANT IT TO BE GREAT'

The Children's property comprises about six acres at the busy intersection of Halsted Street and Fullerton and Lincoln avenues. The hospital, which plans to move downtown next June, picked McCaffery to redevelop it last month over blue chip rivals like John Buck Co., Golub & Co. and Magellan Development Group.

Mr. McCaffery wants to build housing and retail on the property but won't divulge details of his plan. Construction wouldn't begin until 2013 at the earliest.

"This is an opportunity to create a new neighborhood crossroads," says Alderman Michele Smith (43rd), whose ward includes Children's. "I want it to be great."

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— Dan McCaffery

Mr. McCaffery met Tuesday with the leaders of neighborhood groups and plans to have larger meetings open to the public starting later this fall.

He's faced community opposition before—he attended 40 public meetings over a big project in Arlington, Va., that he says “was very tough”—and doesn't expect his ideas for the Children's site to go unchallenged. Rather than hold a few big meetings, Mr. McCaffery says he aims to hold small ones. He insists he's not trying to divide and conquer.

“I look at it as a divide-and-communicate strategy,” he says. “You get more opinions from more people when you have smaller meetings.”

Children's Memorial, which continues to guide the planning process, has so far avoided the mistakes made by the Lincoln Park Hospital developers, who faced a lawsuit and opposition from Ms. Smith. They decided what to build and then sought community feedback, while Children's solicited input before seeking proposals from developers.

“It's an entirely different process and offers much more hope for the community,” says David Chernoff, director of planning for the Mid-North Assn., a neighborhood group that filed the Lincoln Park Hospital lawsuit.

BEGINNINGS

Lincoln Park is a long way from Eldorado, a uranium mining town in northern Saskatchewan where Mr. McCaffery, then 10 years old, moved with his family from Ireland. But his father, a “horrible alcoholic” who worked as a camp steward, left after about a year-and-a-half, and the family moved to Edmonton.

Mr. McCaffery was quarterback, defensive back and co-captain of the football team at the University of Alberta. Though small—about 155 pounds—he tried to go pro in 1971, lasting just four games until he was cut by the Edmonton Eskimos.

“I was pretty quick,” he says, “but it was fairly obvious that I was going to get killed.”

Mr. McCaffery switched to coaching and teaching before joining Oxford Properties Inc., a Canadian developer that sent him to Chicago in the late 1980s to develop Quaker Tower, a 35-story office building now known as 321 N. Clark, and Chicago Place, the vertical mall at 700 N. Michigan Ave.

Since launching his own firm in 1990, Mr. McCaffery has built shopping centers, apartment buildings and, more recently, entire neighborhoods featuring pedestrian-oriented, street-front stores topped with residences.

The South Works site on the South Side

Perhaps the busiest developer in Chicago these days, his recent track record includes some blemishes, including failed developments in Minneapolis and northwest suburban Lake Zurich, and the 122-room Hotel Burnham, which defaulted on a \$36-million loan in 2009.

“We shouldn't have leveraged it up to the level that we did,” Mr. McCaffery says of the historic hotel at 1 W. Washington St.

Yet his biggest challenge is the former U.S. Steel property, a 589-acre lakefront site where he wants to build more than 13,000 homes and 17.5 million square feet of commercial space, a project that could take 40 years and cost \$4 billion.

After about seven years of planning, it remains little more than a grand vision. Mr. McCaffery blames delays in rerouting South Shore Drive through the site for hampering efforts to recruit retail tenants needed to kick start the development. The completion date for the road has been pushed back to 2013 from 2011.

He shifts quickly from griping about the delay to touting the site's potential as a future location for the Barack Obama presidential library, complete with hydrofoil service to transport tourists from downtown.

“It's so damn natural that the Obama library ought to come down here,” he says. “Boy, would that turn the trick.”

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