

Luxury trend crosses river, embraces Hotel 71

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Advertisement

July 28, 2005

For the most part, Chicago's swankiest hotels are scattered near the strand of North Michigan Avenue that extends north of the river.

But a number of luxury hotel developers are looking the other way, the latest one casting its gaze on a stretch of Wacker Drive just south of the river.

Hotel 71, a 454-room tower at 71 E. Wacker Drive, will be redeveloped by next spring as a Solis Hotels and Resorts property, a luxury brand launched this week by West Paces Hotel Group LLC. The New York-based company is headed by Ritz-Carlton veteran Horst Schulze.

Also in the pipeline south of the river is a \$550 million Mandarin Oriental hotel at Lake and Stetson Streets near Millennium Park. That plan was unveiled last month.

The properties "are coming into geographic areas not represented by the luxury market," said hotel consultant Ted Mandigo. "It presents an opportunity, and a challenge."

Phil Keb, executive vice president at West Paces, thinks the area is ripe for luxury hotel development. He cites improvements to the Wacker Drive streetscape and the river's bridges, the construction of the Trump Tower directly across the river, the presence of nearby boutique hotels, the opening of Millennium Park, and the plans for a mixed-use development on Block 37 in the Loop.

"I'm not suggesting we're going to compete toe-to-toe with the Peninsula or the Four Seasons, but clearly we'll compete very, very well at the Park Hyatt level, the Fairmont, if you will. The Drake, that level of product," Keb said.

The fact that West Paces is headed by Schulze, formerly vice chairman of The Ritz-Carlton Hotel Co., works in the project's favor, said Mandigo.

"Horst certainly is an individual who understands quality operations," said Mandigo. Still, the company will have to work hard to build brand recognition among consumers, he said.

West Paces will manage the revamped hotel, which is owned by a group that includes real estate investors Falor Cos. and Mitchell Cos.

More than \$20 million will be spent to upgrade the hotel, said Robert Falor, president and chief executive of Falor Cos. Improvements will include the addition of a 7,000-square-foot fitness and spa facility and a 4,000 square-foot ballroom, and overhauls of the guestrooms, lobby, entrance and meeting rooms.

Approximately 154 units will be hotel rooms and suites, with published rates between \$190 and \$450 a night, he said.

Another 300 units are being converted to condominium-hotel units, which are sold to private buyers who let the hotel rent them out when they are not using them. About 200 condo units have been reserved, he said. Prices range from \$350,000 to \$1 million.

The Solis and the Mandarin are not the only hotel projects on the horizon as the hotel market revs up. Hotels also are planned at the proposed Fordham Spire near the entrance to Navy Pier, and at the Trump Tower under way on the former Chicago Sun-Times site just north of the river.

"Demand has rebounded pretty strongly for the luxury market in Chicago," said Mandigo. "I'd say one or more new products can come in at the right place and service level and have success."

While the hotel sector is hot now, some projects have hit bumps, including one that Falor was involved in.

Falor sold his stake in a 98-unit condo-hotel at 202 S. State St. to a partner, Jeff Hockman, earlier this year, while it was in foreclosure but before it entered Chapter 11 bankruptcy reorganization.

Falor says the project is moving forward nicely, with more than half the units sold. Hockman could not be reached for comment.

West Paces will spend more than \$700 million on its initial coterie of six Solis brand hotels and resorts.

All will be managed by West Paces but owned by others.

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