

Chicago Tribune

Mark Twain Hotel to be renovated under SRO preservation ordinance



5/31/16 Robert Channick

A developer has purchased the historic [Mark Twain](#) Hotel in Near North, with ambitious plans to renovate the rundown Art Deco building but keep it as affordable housing.

The NHP Foundation, a New York-based nonprofit, paid \$21 million this month for the 152-unit building and plans to spend at least \$15 million to fix it up, making it one of the first major redevelopment projects under Chicago's Single-Room Occupancy Preservation Ordinance.

Getting the shabby, 84-year-old SRO hotel shaped up without displacing its needy tenants is a challenge for developers, and perhaps a blueprint for the rehab of similar properties.

"This is a historically significant property that's been neglected for a long time," said Mecky Adnani, vice president of acquisitions and development at the NHP Foundation. "We want to comprehensively rehabilitate the property and fully reposition it while continuing to serve the same population that it has served in the past."

There are about 65 SROs in Chicago, a number that has dwindled in recent years as properties have changed hands and been converted into higher-priced apartments, taking thousands of affordable units out of the market. The privately owned buildings, many of which have fallen into disrepair, provide de facto affordable housing to some of the city's poorest residents.

Approved in 2014, the SRO preservation ordinance was designed to slow redevelopment of the buildings into market-rate housing. It requires owners looking to sell to spend at least six months trying to find a buyer who would maintain the properties as affordable housing. SRO owners can bypass the requirement by paying a preservation fee of \$20,000 per unit.



Aldermen pass SRO preservation law

The city has received notices of intent to sell from 11 SRO properties since January 2015, according to Chicago Planning Department spokesman Peter Strazzabosco. Two buildings have finalized redevelopment terms to be preserved as SROs – the Mark Twain Hotel and 2611 N. Sawyer Ave. in Logan Square.

Located near a recently renovated [CTA Red Line](#) station at the southwest corner of Clark and Division streets, the Mark Twain Hotel is an anomaly in the neighborhood, with cramped residential units above low-rent retail that includes a payday loan store, a currency exchange, several empty storefronts and a 7-Eleven.

The Sinclair, a 35-story luxury apartment building developed by Chicago-based Fifield, is rising on the northwest corner where a Jewel once stood. The \$230 million tower is expected to open next year.

Without the ordinance, the Mark Twain likely would have given way to similar high-end housing, Adnani said.



Should Chicago save SROs?

"If it wasn't for the ordinance, the owner would have sold the Mark Twain two years ago," Adnani said. "They had bids, and we came in right on time."

Designed by architect Harry Glube, the 58,000-square-foot Mark Twain features ornate white terra cotta decoration over beige brick. The facade also features blaring signs for Mr. Gyros and AmeriCash Loans, among others.

The hotel, which opened in 1932, has a checkered history that includes at least two people leaping to their death, and a third breaking both legs and an arm after jumping from a fifth-floor window, according to Chicago Tribune archives.

Current apartment rents run about \$650 per month, and the building is near full occupancy, Adnani said. Tenants do not use housing vouchers, and for some, the Mark Twain Hotel and other SROs represent a last resort before homelessness.

"Essentially we are providing a public service," said Eric Rubenstein, an owner of three SROs and executive director of the Single Room Housing Assistance Corp., a nonprofit organization that represents dozens of Chicago SROs. "We are housing people without costing the taxpayers."

Post-renovation, rents in the building will likely rise to \$1,200 to \$1,300 a month, but the goal is to have the vast majority of residents pay far less.

NHP is looking to use government funding mechanisms such as low-income housing tax credits, tax-exempt bonds and project-based subsidies, which restrict the property to low- and middle-income residents. The property will also apply for historic tax credits to preserve the facade.

The initial phase is being supported by the city with \$749,000 in tax credits, Strazzabosco said.

The Mark Twain Hotel is the first SRO redevelopment and the first major project in Chicago for NHP, a 27-year-old organization that has 6,200 affordable housing units in 14 states.

Stuart Boesky, CEO of Pembroke Capital Management, provided a \$17 million bridge loan, enabling NHP to close on the Mark Twain acquisition. He said NHP's experience with government funding options was crucial to getting the Mark Twain project off the ground.

"It takes a developer that has a particular expertise with government programs to pull this off," Boesky said.

NHP has approached the Chicago Housing Authority, looking to get project-based subsidies for 90 percent of the units, which would limit the rent to 30 percent of household income for qualified low- and middle-income

tenants. The rest of the units would be unrestricted, to ensure that no current tenants are displaced, Adnani said.

The CHA has not received an application from NHP but has previously provided project-based voucher support for a number of SRO properties across the city, Strazzabosco said.

Beyond the facade restoration, NHP's plans for Mark Twain include a new community room, a roof deck, upgraded building systems and new bathrooms, with kitchens added to each unit.

No less important will be upgrading the 9,000 square feet of retail space and tenants, Adnani said. "We're working with retail brokers who are going to help us strategize," she said. "We don't want the property to have the negative image that it has had."

NHP is already looking at its second major Chicago project — a Lincoln Park SRO that is under contract and in the due diligence process. Adnani declined to identify the property.

She is hoping the Mark Twain renovation will not only reveal a hidden architectural gem, but also change the way people see SRO housing.

"Maybe the neighborhood preferred this beautiful piece of property be demolished and a tower go there," Adnani said. "But obviously there are people who don't believe that should be the case, including us."