

The Clark Adams Building

The Project

In 2006, Musa Tadros, CEO of Crown Commercial Real Estate and Development, expanded his portfolio with the acquisition of the 41-story office building at 105 W. Adams Street in Chicago. Known as the Clark Adams Building or Bankers Building, the historical structure was completed in 1927 by Burnham Brothers, the firm established by the sons of renowned Chicago architect Daniel Burnham. The Neoclassical class-B structure is the tallest continuous-clad brick building in the city, and occupies nearly 500,000 square feet of commercial office space adjacent to the Federal Government Core, a multi-building area including federal courts and agency offices, in the heart of Chicago's Loop business district.

Despite this pedigree, the building was only 65% occupied and nearing foreclosure when Tadros purchased the building using a securitized loan with a 5 year term and final balloon payment. In addition, the largest tenant of the building was Club Quarters, a limited-service business hotel chain. Under Crown's management, in the worst market for commercial office space in decades, the building was brought to 95% occupancy over the next three years. In addition to the Club Quarters, the University of Chicago Graduate School of Business, Northwestern University, Starbucks, Elephant & Castle Pub and Chase Bank are among its quality tenants.

In addition to being CEO of Crown, Tadros is also a licensed general contractor, so he was able to handle tenant build-outs, building maintenance and improvement in-house. With the building improved and almost fully leased, Tadros sought a permanent loan with more favorable terms.

The Challenge

Tadros inherited several complications when he purchased the building. The previous owner had given Club Quarters, the building's largest tenant, an open-ended option to purchase its portion of the building, over 30% of the property. The hotel was not willing to waive the right to exercise this option despite compensatory offers. As a result, Crown would need a loan with the flexibility to release a portion of the collateral. In addition, any refinance would require the building to be underwritten as both an office building and a hotel. Finally, the hotel, which is privately owned, refused to release any of its financial statements to aid in the refinance of the property.



- \$45.3 Million Permanent Refinance
- Chicago, IL
- Fixed & Floating Rate Loan
- Hotel & Office

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Tadros did not want another securitized loan. Should the hotel choose to exercise purchase option, Crown would have had to contend with an astronomical prepayment penalty.

Because of the complexities of the project, Tadros began searching for new financing two years before his original loan was scheduled to mature in June of 2011. “This was not your run-of-the-mill office building refinance,” he said. “I chose Aries to lead the financing based on their extensive track record of closing complex deal structures.”

The Capital Structure

“We needed to bring in capital that was comfortable with financing office buildings and hotels,” said Jeffrey Bucaro, Aries Capital Senior Vice President. “This particular loan required creativity and significant structuring to accommodate a partner buyout, and a need for a partial release of collateral should the anchor tenant wish to purchase their office space. We were able to get lenders comfortable with the loan amount from both a square footage and a per hotel room basis, and provided several options for our client,” he added.

Aries Capital provided Crown Real Estate and Development with multiple loan solutions including a CMBS loan, a hybrid CMBS/Bridge loan, and a floating rate loan.

The Outcome

Ultimately Tadros selected a Wells Fargo-funded \$45.3 million first mortgage floating rate loan, and swapped out \$27 million into a five-year fixed rate. The remaining balance of the loan is pre-payable without penalty in the event the hotel exercises its purchase option. The blended rate was priced at 4.19%. “Wells Fargo has been a great bank to work with, they were really on the ball, understood the issues, and were fair,” said Tadros at the conclusion of the deal. “We liked Aries Capital because they seemed like very honest, hardworking guys, and they weren’t just thinking of their fee. And they didn’t give up, which was key. I’m a methodical, patient guy, and it took awhile,” Tadros said. “Aries did bring other lenders to the table that could have performed and could have closed, but it wouldn’t have been the best deal for me, and they understood that,” he concluded.



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