

Palmer House chic gets early unveiling

By Kathy Bergen
Chicago Tribune reporter

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When the Great Chicago Fire destroyed the original Palmer House just 13 days after dry-goods merchant Potter Palmer built the hotel in 1871 as a gift to his bride, the State Street developer quickly plunged into rebuilding. It reopened in 1873.

The inn has remained open ever since through various remakes, a longevity record in the U.S., and now it's emerging from its latest, and biggest, face-lift.

Coming to market ahead of the credit crisis, the project escaped the financing drought likely to choke new large-scale projects for some time.

A private-equity firm headed by Joseph Sitt, a Brooklyn native with a penchant for urban development, bought the down-on-its-heels French Empire-style inn for \$240 million in 2005. Sitt's firm, Thor Equities, bet another \$170 million on restoring the 1,639-room convention hotel. Now 15 months ahead of schedule, the wraps are coming off 17 E. Monroe, and so far observers like what they see.

"That hotel was showing its age, to say the least, and now it's much more functional; the retail offerings are better ... it's fresher," said Brian D. Flanagan, president of Property Valuation Advisors in Chicago.

But with the economy in a tailspin and Loop redevelopment still a work in progress, it may take a while to know whether Sitt's wager will pay off.

Still, the restoration "brought back a lot of the luster and historic character to the building," said Jim Peters, president of Landmarks Illinois, which next month will give its annual real estate industry award to Thor.

More than 1,000 guest rooms got makeovers, with French baroque touches, and \$1.5 million was spent on the 11-room penthouse. A spa and fitness center were added, as was an elegant restaurant, Lockwood, whose bar extends into the ornate lobby.

Eyesore fire escapes on the State Street exterior were replaced with interior fire escapes, though the metal-grate fire escapes remain on the Wabash Avenue side. A new ballroom was created after ornate ceiling moldings, dating to the 1920s, were uncovered.

The latest hotel restoration hasn't been the only catalyst to the commercial redevelopment starting to sprout along State and Wabash. Sitt cites the return of auto traffic on State, the growth of the theater district, the rise of residential development and the creation of Millennium Park as key triggers too. The quickened pace of the hotel's restoration was critical, he said. "If we didn't get the Loop area going with the hotel, it was in danger of falling into a permanent rut."

Given today's economic climate, hotel industry consultant Ted Mandigo said the restoration is significant because "we're not going to see any more major convention hotels of the size and caliber of the Palmer House again, at least in the near term.

"That kind of property is almost an irreplaceable landmark in Chicago," Mandigo said, "and it's going to be a big contributor to keeping the Chicago market active and competitive in the convention area."

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