

Sleeping in the Clybourn Corridor

After getting a taste of Chicago's restaurant scene, developer Eric Nordness is going back to putting heads in beds.

Mr. Nordness, managing partner at Chicago-based Salita Development LLC, the company behind the Carriage House and Bedford restaurants in Wicker Park, plans to build a 156-room select-service hotel at 1523 N. Fremont St., just southwest of the intersection of North and Clybourn avenues. It would be his second hotel since he founded Salita in 2002.

It's a development that's been in the works for nearly five years, before the recession brought it to a standstill. With construction financing in place and approval from the city's zoning board, Mr. Nordness, 41, hopes to break ground on the \$40 million project by late spring, with an opening slated for summer 2015, he said. He declined to identify his lender or hotel operator, saying only that he is in final talks with "a major brand."

"It's a unique submarket that we think is pretty attractive," he said. "There aren't a lot of natural places to put a hotel where you could make the economics work, and this is one of them."

While hotel developers have focused on the Loop and River North, they're also pursuing projects in less established areas, such as Chicago's meatpacking district. Strong occupancy and room rates also have given rise to developments in Bucktown, Wrigleyville and Lincoln Park, where Chicago-based AJ Capital Partners LLC last year converted a former Days Inn into a vintage-meets-modern boutique called the Hotel Lincoln.

Yet projects outside the core downtown market "come with a lot higher risk" because of their distance from the central business district, said Rob Hunden, president of Chicago-based real estate consulting firm Hunden Strategic Partners.

'THEY'RE GOING TO BE A PIONEER'

"You've got to be able to fill that hotel Monday through Friday, not just on the weekends," he said. "They're going to be a pioneer in that geographic direction ... The question is: Is there enough business there, enough depth of business, to support a hotel at the rates they need to be making?"

Having a brand familiar to business and leisure travelers could help boost reservations at that location, he said.

Mr. Nordness expects DePaul University and William Wrigley Jr. Co., whose headquarters are on nearby Goose Island, to generate demand for his hotel rooms. He also aims to tap into the local retail market: The hotel will include 16,000 square feet of retail space.

Salita acquired the Fremont site in 2006, before retailers like REI and Apple moved into the neighborhood, anticipating a wave of new development, Mr. Nordness said. He had seen plans to redevelop the former New City YMCA site - just east of the planned hotel - another project that was delayed by the recession and only recently landed construction financing.

"This is no longer an up-and-coming area; it's here," he said. "Five years out, I don't think you're going to see many vacant lots in that area to develop."

The Fremont project isn't the first hotel for Mr. Nordness, a former investment banker who grew up in north suburban Libertyville. After founding Salita in 2002, he developed a 161-room Sheraton hotel in Northbrook that his firm still owns. He opened the Bedford in 2011 and last year opened the Carriage House, which was recently named one of the country's best new restaurants by Esquire magazine.

Salita is also developing a 108-room Four Points by Sheraton in Oak Creek, Wis. That hotel, like the one on Fremont, is slated to break ground this spring.

Mr. Nordness, who holds a bachelor's degree from the University of Iowa and an MBA from the University of Chicago, spent three years as an analyst at San Francisco-based investment bank Robertson Stephens & Co. before moving to Eastbourne Capital Management LLC in 2000. He subsequently spent a year as an analyst at TechStar, an accelerator program that provides seed funding to startups, before founding Salita in 2002.

The great-grandson of J.H. Findorff, founder of Wisconsin construction company J.H. Findorff & Son Inc., Mr. Nordness runs Salita with his sister, Anne.

"I grew up in that business so I have an affinity for construction and building," he said. "It runs in the family."