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## **Crain's Chicago Business**

### **Billionaire buys out Michigan Avenue landowner**

By Eddie Baeb

(Crain's) — Spanish billionaire Amancio Ortega paid another \$16 million for the Michigan Avenue block that's home to Ralph Lauren and Tiffany & Co., this time to buy a portion of the property that was subject to a long-term ground lease.

The new deal, which closed late last month and comes almost two years after Mr. Ortega's investment arm Ponte Gadea S.L. paid a gaudy \$350 million for the marquee block, takes out an owner who has had a stake in the property since the 1960s and who refused to sell to Chicago developer Thomas Klutznick and McDonald's Corp. as they worked to assemble the site more than 15 years ago.

The owner, Adele Stern, says her husband, Robert, who's now deceased, agreed in 1994 to a 99-year ground lease that gave the building's owner the option to pay \$16 million to buy out the Sterns' interest 15 years into the lease or upon the Sterns' death. Mr. Ortega exercised the option.

A source familiar with Mr. Ortega's blockbuster deal says Ponte Gadea planned on paying to terminate the ground lease when it bought the property at 730-750 N. Michigan Ave. Ponte Gadea's December 2007 purchase price of \$350 million marked a 40% premium compared with the price the sellers, London financial services firm Prudential PLC and New York's J. P. Morgan Chase & Co., paid Mr. Klutznick four years earlier.

Ms. Stern says representatives of Mr. Ortega, founder of Spanish retailer Zara and one of the world's richest men, were in touch with her soon after the deal closed, offering to pay less than \$16 million if she would sell at the time. She refused.

"I did not wish to sell, particularly," says Ms. Stern, who lives in California. "My husband was a fantastic businessman. And I liked the deal I had."

Through a representative, an executive with Ponte Gadea's Miami-based U.S. office declined an interview request.

Ms. Stern, 80, says her husband began buying properties on the block in the early 1960s after he sold his industrial business, Continental Tube Corp., and ultimately had three parcels that formed something of an S-shape, with frontage along both Chicago and Michigan avenues as well as Rush Street.

The buildings he owned were home to a Herman's sporting goods store, a shuttered gas station that was redeveloped into an art store called Le Garage and a Golden Bear restaurant that had previously been the legendary Club Alabam. The Alabam, at the southeast corner of Chicago and Rush, predated Prohibition and was the site of several raids in the 1920s and '30s that netted roulette wheels and illegal liquor, according to news articles.

The sale sheds a light on one of the quirkiest sides of the development game: the difficulty of land assemblage and the case of the last, locked-in landowner who won't bite at any of the developer's offers.

"Assembling land is miserably hard," says David Stone, president of the Chicago retail brokerage firm Stone Real Estate Corp. "There's always the last guy who's either smart or well-advised."

The Klutznick-McDonald's venture, which ultimately brought in jeweler Tiffany's to replace a McDonald's restaurant at the corner of Michigan and Superior Street, eventually pulled off the assemblage a decade

after a host of developers had attempted to do the same. Others who tried included Jupiter Realty Corp.'s Jerrold Wexler, Romanek Properties Ltd. and Stein & Co., according to a 1993 Crain's article.

Mr. Stern, who died in 2001 at age 77, was a Rogers Park native who made pioneering advances in the use of solar energy in California in the 1960s and was a serial entrepreneur. He owned companies that manufactured lawn mower handles, an airless water pump and fake mustaches, according to his obituary in the Chicago Tribune.

His wife, also a Chicago native, says Mr. Stern dabbled with other real estate holdings but that this was their last property here.

Mr. Stern also helped fund the construction of community centers for the Salvation Army in Chicago and Los Angeles. In 2006, the Adele and Robert Stern Shield Center opened in Chicago's Englewood neighborhood, a 70,000-square-foot community center at 945 W. 69th St. that includes a fitness center, gymnasium and 203-seat auditorium.

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