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A New Chapter for the Pittsfield Building

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Courtney Jones

After years of misfires, this vintage landmark's rehab finally looks like it may be getting back on track.

Courtney Jones is trying to turn around what may be the biggest basket case in the downtown real estate market: the Pittsfield Building.

In January, a judge appointed Jones receiver of most of the vintage tower's 38 floors, giving him control of an East Loop landmark that has [suffered from years of neglect](#) amid failed deals, several lawsuits, a bankruptcy and, most recently, a business scandal stretching all the way to China.

The building today is a public hazard. Jones estimates repairs to the high-rise will cost \$23 million or more, most of it to restore its fragile facade. Scaffolding currently protects pedestrians on the sidewalk below from falling terra cotta. The good news? Jones doesn't have to deal with a lot of angry tenants. He only has three.

"The building has been through a major trauma, and the best is yet to come," Jones says. "The building has begun its rehabilitation."

He has taken some promising early steps, receiving a judge's approval and financing for about \$4 million in repairs. That includes replacing 198 of the building's windows, removing one potential danger: Broken glass blowing onto the streets below.

But Jones has yet to complete a key task: Raising the rest of the money for the Pittsfield's restoration. Complicating his job is a fractious relationship with an investor that owns nine floors in the building, Chicago-based Marc Realty. Marc has been battling with Jones in

court, second-guessing his plans and qualifications. Jones accuses Marc of using its lawyers to try to take over the entire building.

The project's biggest obstacle may be the [depressed economy and real estate market](#), which will make it harder for Jones to fill up the mostly vacant space he oversees. The bulk of it is raw and unproductive, waiting to be turned into condominiums, apartments or offices. Building all of it out will cost tens of millions of dollars.

The appointment of a receiver was a positive step for the Pittsfield, the tallest tower in Chicago when it opened in 1927. Designed by Graham Anderson Probst & White in a hybrid art deco and Gothic style, the high-rise at 55 E. Washington St. is "one of Chicago's finest 1920s-era skyscrapers, built during the decade when the city's distinctive tower-pierced downtown skyline first began to take shape," according to a [2001 report](#) recommending a landmark designation for the property.

But recent years have been cruel to the Pittsfield. Miami Beach, Fla.-based developer Morgan Reed Group, which bought the high-rise in 2000, chopped it up into pieces, selling off nine floors in 2008 to Alter Group, a local developer that [turned the space into student housing](#).

Plans to convert the rest of the building into condos and [hotel rooms](#) came and went, followed by lawsuits over failed deals. In late 2015, a Texas developer [sued Morgan Reed and Alter](#) after its proposed \$91 million takeover of the property fell apart.

POISED FOR MAKEOVER

With the real estate market on fire and plenty of financing available for new projects, the Pittsfield was poised for a major makeover. In the past several years, developers have spent huge sums polishing and redeveloping some of the city's finest architectural gems, including the [Chicago Athletic Association](#) building, the [Wrigley Building](#), [Tribune Tower](#) and the [Old Post Office](#).

It looked like the Pittsfield might join the group in 2017, when Xiao Hua "Edward" Gong, a Chinese business mogul based in Toronto, acquired Morgan Reed's space in the building out of bankruptcy for [\\$20.8 million](#).

Just months later, Canadian prosecutors [filed money-laundering and securities-fraud charges](#) against Gong. Enlisting the help of the U.S. Department of Justice, they filed a restraining order on his U.S. properties, including the Pittsfield, a major roadblock to any sale or redevelopment of the property.

Jones doesn't have any specific plans for the rest of the space—about 26 floors—but says he's not ruling anything out.

"Everything would be up for a conversation," he says.

Gong, meanwhile, has been held in contempt of court for defying a judge's orders in the Cook County case. But he supports Jones and his turnaround plan. Asked how the Pittsfield fell into such disrepair, Gong's attorney, Mahmoud Faisal Elkhatab, wrote in an email that Gong spent "several million dollars stabilizing and shoring up the building."

"Unfortunately, matters in Canada impeded my client's ability to complete all the work," he wrote.

Inline Play

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Gong has denied the charges, but he no longer calls the shots at the Pittsfield. Jones, under the supervision of a Cook County Circuit Court judge, runs the show now. The appointment of Jones, an African American, is a sign of progress in a downtown real estate market that is overwhelmingly white—and at a time when racial equity has become a major political issue, says [Leon Walker](#), managing partner at Chicago-based DL3 Realty.

"This is the first time that a Black receiver has had an opportunity of this scale and magnitude in our city," says Walker, who is considering investing in the project.

But Jones doesn't get a vote of confidence from Marc Realty. Marc entered the picture in April 2018, when it seized Alter's apartments on [floors 13 through 21](#) of the Pittsfield. Wilmette-based Alter relinquished the units after defaulting on a loan from Marc secured by the space.

Marc, which fought Jones' appointment in January, questions his qualifications and experience for the job and says he's taking too long to fix the building's problems.

Tarnished landmark

The Pittsfield Building has been through a lot since 2000, when Miami Beach, Fla.-based Morgan Reed Group paid \$15 million for the property, then an office tower. Morgan Reed chopped up the building, selling nine floors for \$23 million in 2008 to local developer Alter Group, which converted the space into student housing. Since then, the building has suffered from a lack of investment, a series of lawsuits and multiple failed deals.

Date	Event
March 2017	A Morgan Reed venture that owns several floors in the Pittsfield Building files for Chapter 11 bankruptcy protection.
June 2017	The city of Chicago files a lawsuit in Cook County Circuit Court over numerous building code violations at the property.
August 2017	A venture led by Xiao Hua "Edward" Gong, a Chinese-born business mogul who lives in Canada, acquires all floors of the 38-story building owned by Morgan Reed, paying \$20.8 million in a bankruptcy auction.
December 2017	Ontario authorities charge Gong with criminal securities fraud. A Canadian court places a restraining order on the Pittsfield Building, effectively preventing any redevelopment of the property.
April 2018	An affiliate of Chicago-based Marc Realty seizes 176 apartments on floors 13 through 21 after Alter defaults on a loan secured by the units.
January 2020	A judge appoints Courtney Jones as the receiver of the space owned by Gong.

"The receiver and the court are not moving this along with the speed that they should to protect the public from harm," says Marc's attorney, Monte Mann, a partner at Chicago-based Novack & Macey.

Jones counters that Marc is more motivated by the chance to take over the Pittsfield on the cheap than by public safety. "They just want to pound you with the hope that you'll fold up shop and go away," he says, eliciting a denial from Mann.

"There's absolutely nothing to that," Mann says.

Jones has checked one big item off his to-do list: modifying the Canadian restraining order, which would have made it next to impossible to secure financing for the Pittsfield. The Canadian authorities agreed to change the order so that any new lender would be paid back before the building's other creditors, a key legal protection required by most funding sources.

Jones says he is in advanced talks with a real estate private-equity firm that's interested in financing the restoration, including the facade repairs. He declines to identify the firm. The project could take two years or more.

Jones also needs to solve another money problem. With just three ground-floor retail tenants, the Pittsfield generates almost no revenue right now. But the building includes 51 empty apartments on floors 10 through 12. Once Jones makes the needed repairs to obtain an occupancy permit from the city and lease the apartments, he estimates the units would generate about \$180,000 in gross monthly income, according to a court filing.