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Inside the deal that brought Google to the Thompson Center

The developers behind the complicated deal called it Project Hercules—a heavy lift that also required a bit of luck.

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In the middle of a pandemic, Michael Reschke and Quintin Primo signed onto a massive rehab project, buying the James R. Thompson Center, a hulking building that had deteriorated from icon to eyesore.

Their plan was to overhaul the building—home to 2,500 government workers and the city's busiest mass transit stop—with hundreds of millions in renovation that would effectively strip it down to its steel frame and rebuild it. Reschke and Primo would sell back one-third of it to the state and hunt for new tenants for the rest, a task that appeared monumental at a time when companies are slashing office space to adjust to the rise of remote work.

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Plans changed after Primo reconnected with an old friend from Atlanta, Michael Tabb, whom he'd met as part of a national professional group for minority real estate executives formed nearly 20 years earlier. Tabb had recently joined Google's real estate team. "He said they were looking to expand significantly in Chicago," Primo said.

The result was Project Hercules, a suitable code name for the heavy lift required to rework an already massive transaction on a very short timeline. Google, one of the world's biggest companies, wanted to take over the entire Thompson Center.

It was a dream scenario for Reschke and Primo—but only if they could move fast and get the state on board with a new plan as a July closing date approached.

As it happened, [Reschke was bidding to buy adjacent office buildings that BMO Harris Bank is vacating](#) at 115 S. LaSalle St. and 111 W. Monroe St., distressed properties he could buy at a fraction of the value of the debt tied to them, part of a broader bet he was making on the future of LaSalle Street.

"That's when the light bulb went off," Reschke said.

If he could get the state to throw out its plan for staying in the Thompson Center and instead agree to take space at 115 S. LaSalle, he could fill up two prominent-but-outmoded buildings at once.

"We had a choice to make," Gov. J.B. Pritzker said. "We said, if you want to change the deal, and you've got a tenant who eventually wants to buy the whole thing, we're open to that—especially because it's Google. If Google wants to expand in the center of Chicago, that's a tremendous development for everybody."

Although it had signed a deal, the state wasn't wedded to the Thompson Center. It agreed to stay only after it couldn't attract bidders to redevelop the Thompson Center as is.

Reschke said he couldn't even tell state officials at first that his venture was exploring the possibility of relocating the state's offices, given confidentiality concerns from Google, a famously secretive company when it comes to its real estate plans.

"Thank God the BMO building was available," said Reschke, who signed a letter of intent to buy the loan tied to the properties in May and brought up the Google idea with the state. "The miracle of the transaction was how fast it came about and how all the pieces fit together," he said. "It was a little bit like putting together a Swiss watch to make it run. . . . I haven't had much sleep."

In the end, Reschke and Primo ended up with two old buildings and two very different clients who had one thing in common: a desire to be downtown. The resulting deals, involving 2 million square feet of office space, are a leap toward stabilizing the vacancy-ridden core of the Loop. It's the most significant real estate deal in the city in a generation.

"That's what's so exciting," Pritzker said. "I think (Google) had plans for a major expansion already. It was just a question for them about what kind of space it's going to be.

"The fact that they chose a location that makes such an enormous difference for the center of the city.

"That's how Google operates," he added. "You saw what they did to the Fulton Market area. They planted an enormous flag and the city, the tech community, kind of moved to it. That's what's so exciting is the many companies that are going to want to be in the vicinity. This isn't just the state buying one building at the end of LaSalle and Google buying a building at the other end of LaSalle. There's a lot more to come."

The deal also is a game-changer for Reschke and Primo's venture, JRTC Holdings. While Google's entry complicated things in some ways, it significantly de-risks a deal that left many scratching their heads [when it was announced in December](#).

The idea of selling the Thompson Center, which [began when Bruce Rauner was in office](#), was daunting. The building was [maligned for its lack of creature comforts](#)—from a dated color scheme

and threadbare carpeting to a climate-control system that was a contradiction in terms—as it was praised for its bold design by legendary architect Helmut Jahn.

“The building was just a disaster,” Pritzker says, with the state estimating it would have taken more than a half-billion dollars to renovate.

While Reschke and Primo were previously going to pay \$70 million for the Thompson Center under the original deal, renovate it and then sell back 425,000 square feet to the state for \$146 million, the development duo still had to find financing for the project and ultimately find users for the roughly 850,000 square feet they would continue to own.

But the revised deal completed this week put Reschke and Primo in position to get paid simply for redeveloping buildings with users lined up in advance, eliminating much of the risk of the previous deal. Reschke and Primo paid the state \$105 million for the Thompson Center—a combination of \$30 million in cash and \$75 million in value via the title to 115 S. LaSalle—and will lead the overhaul of both properties with Google and the state presumably paying for the majority of the buildouts.

“I don’t know what kind of magic dust Mike had,” Chicago developer John Murphy said of the reconfigured deal. He thought any developer would be hard-pressed to fix the Thompson Center’s inefficiencies through a renovation and have a tough time leasing up the building, “but Google is a different tenant entirely. It’s almost like a (co-working) environment with so many diverse business units. That type of tenant would probably fit very well within the (Thompson Center) configuration,” Murphy said.

The size of the payday that Reschke and Primo will realize for pulling off such a parlay is still far from clear. Reschke declined to share the costs of each project or the terms of his agreement with Google, which he said could ultimately decide to lease the building when the renovation is completed in 2025, “but their intent is to buy,” he said.

Reschke added that the Thompson Center transformation will likely cost more than the \$300 million he had planned for it before Google came along, as the company “is upgrading (features) to the highest level available.”

It’s not clear whether Reschke and Primo will be paid a flat fee to overhaul the Thompson Center or what their compensation will be for overseeing a renovation of the BMO Harris building for the state. Reschke said work to update 115 S. LaSalle will begin immediately. The state said in a news release this week that renovation work will take 18 months but that it plans to partially occupy the building in eight months.

Part of the developers’ windfall will also depend on what Reschke and Primo ultimately do with the 610,000-square-foot property at 111 W. Monroe St. Reschke said there is a mix of office tenants with remaining lease terms there, but he’s mulling a plan to convert the top 10 floors into roughly 300 apartment units.

Whatever the payoff, Reschke acknowledges his good fortune. “I do believe I’d rather be lucky than good,” he said. While he didn’t anticipate Google in his original plan, “where you are with timing and market forces around you sometimes are more important.”

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