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Canal site picked for \$33M project

By Jennifer Whitson

Apartments, retail part of 4-story complex

A local developer plans to build a \$33 million, four-story apartment and retail complex on the Central Canal just north of Michigan Street. Flaherty & Collins Properties has the three-acre parcel under contract from American United Life Insurance Co., said Vice President of Development Jim Crossin.

What's now a grassy area along the canal soon will make way for 218 upscale apartment units with a red-brick-and-limestone façade wrapped around a five-level parking garage. Ground-level shops will stretch out from the intersection of Michigan Street and Senate Avenue, while a smaller café or pub is planned for the canal-front property.

Crossin said the company wants to begin construction in the first half of 2007 and will have the apartments ready for residents eight months later.

The apartments will feature floor plans ranging from traditional onebedrooms to large, two-level, "town home style" units. Prices are expected to range from \$950 to more than \$1,800 per month.

"We're building these apartments to a condo standard," Crossin said.

Residents will be able to park in the 340-space garage, which also will include some public spaces.

"If people want to use the canal, they'll be able to park there," he said.

All told, the property occupies almost the entire block bounded by the canal, Michigan, Senate and North Street.

On the canal side, the apartments will wrap around a large public plaza featuring a fountain and heavy landscaping. Flaherty & Collins also is planning up to 2,000 square feet of canal-level storefronts, ideally for a coffee shop or a pub.

"Retail on the canal is sort of unproven, so we wanted to start small," Crossin said.

Plans for 18,000 square feet of street level retail at the corner of Senate and Michigan are more aggressive.

There, Flaherty & Collins hopes to land a small grocer and several restaurants that could tap into the base of 30,000 IUPUI students and growing numbers of hospital and medical office workers in the area. It would join other newcomers at the intersection, including Textbook Alternative, which opened in April, and Mo' Joe Coffeehouse, which began brewing in September.

That sounds like a smart plan to Steve Delaney, a partner and restaurant specialist for locally based The Linder Co. He said a nearby restaurant plaza on Indiana Avenue just east of University Boulevard, home to Qdoba, Nothing but Noodles and Subway outlets, among others, is one of the most lucrative in the city because it draws the campus traffic.

"If they can capture some of that IUPUI market, they will do fine," Delaney said. He said many of the same type of fastcasual restaurants likely would locate there.

But Flaherty & Collins is wise to start small with the canal retail, he said.

"Because it's below street level, it's a bit of an unproven quantity," Delaney said.

Small or not, Flaherty & Collins' plan for retail on the canal likely will please city officials who have been pushing for more retail development along the canal, comparing its potential with San Antonio's River Walk.

The city spends \$250,000 per year along the canal making repairs and minor upgrades. And this summer, the City-County Council approved a Municipal Riverfront Development Zone, which allows restaurants in the area to get liquor licenses more cheaply and with less hassle.

City officials also have been talking to area building owners, including several existing apartment complexes, about converting canal-level office space into retail shops. Much of that space was originally built for retail, but was rented out as offices when shops didn't take off.

Still, the Flaherty & Collins project would be only the second success in the city's push for retail. The first is the \$3 million renovation of historic Buggs Temple into a retail plaza. In 2003, the city sold the then-vacant and dilapidated 1918 church building to a group of developers who expect to open the 15,000-square-foot retail space next spring. Ritter's Frozen Custard, a coffee shop, restaurants and public rest rooms are planned.

The newer retail joins a few existing restaurant options--some at canal level, others higher up--at the Indiana Historical Society, Indiana State Museum and the Eiteljorg Museum of American Indians and Western Art.

While retail may be unproven, the concept of upscale canal apartments has been tested and passed with flying colors. Flaherty & Collins' units should lease well, said Steve LaMotte, a first vice president and apartment expert with CB Richard Ellis.

"It will be a home run," LaMotte said.

Demand for downtown apartments is high, he said, citing submarket statistics boasting occupancy rates of more than 91 percent. Along the canal, it's even stronger.

Barrett & Stokely Inc.'s Canal Square Apartments are 99-percent occupied, with a waiting list for certain layouts, according to Property Manager Allison Hughes. The complex at the northeast corner of the canal and New York Street has 320 units. There also are waiting lists at the 125-unit Canal Overlook Apartments just south of Indiana Avenue and The Sexton Cos.' 421-unit Gardens of Canal Court south of St. Clair Street.

Average monthly rents in the three complexes range from \$872 to \$964, according to data provided by Tikijian Associates, a local firm that advises investment buyers on apartments.

"Newer, nicer downtown properties have done really very well consistently for the last 10 years," said principal George Tikijian.

And there are few new-construction competitors coming online downtown, apart from J.C. Hart Co.'s 171-unit complex under construction at the northeast corner of East and Georgia streets.

"There aren't too many downtown sites left, and when you find one with canal access, it should be a dynamite deal," LaMotte said.