

**I'd like to stop working someday.
Seems like my broker already has.**



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DEAL OF THE WEEK | NOVEMBER 17, 2010

Another Dream Goes Bust

By **ROBBIE WHELAN**

Developers had grand visions during the boom years, and those in Baltimore were no exception. ARC Wheeler Inc. envisioned what would have been Baltimore's tallest building on a site overlooking Baltimore's Inner Harbor, a sleek, 59-story, \$300 million skyscraper that at one point was to be designed by star architect Robert A.M. Stern.



Robert A.M. Stern Architects LLP

Artist's rendering for 10 Inner Harbor in Baltimore, a victim of the economic downturn.

But that project has followed what has become a well-trodden road in the current economic downturn: Arc Wheeler defaulted on its mortgage, setting off a battle over money and control of the site. Most recently, the holder of the \$23 million mortgage, Susquehanna Bank, sold it at a discount to an investor that hopes to foreclose. To block that move, the developer earlier this month made an 11th-hour bankruptcy filing.

The collapse of the project, known as 10 Inner Harbor, is the latest case of a megaproject gone bust. In cities throughout the country, grandiose plans have either been canceled, stalled, delayed or downsized. Other examples include Chicago Spire, which was to be the hemisphere's tallest building; the 70-story Signature Tower in Nashville, Tenn., that was billed as the soon-to-be tallest building in the Southeast; and the American Commerce Center in Philadelphia, a proposed 1,510-foot mixed-use tower.

In some cities, real-estate industry executives are saying developers may have reached too far. "I love my town," says Owen Rouse Jr., a senior vice president of Manekin LLC a real-estate firm in the Baltimore area.

But the 10 Inner Harbor plan "was like a Cadillac in Mayberry," he says.

The two-acre site, which was once home to a McCormick & Co. spice factory, eventually will get developed but probably with a less ambitious project. The mortgage was purchased by Questar Properties Inc., a small, suburban multifamily residential developer from near Baltimore, controlled by relatively unknown real-estate investor Stephen Gorn. Mr. Gorn said in an interview that the purchase of the Inner Harbor mortgage was his biggest deal yet. He says he hasn't decided what to do with it if he

is successful at foreclosing.

ARC Wheeler, which was dissolved as a partnership last year, has run into trouble with marquee projects in the past. In July, the company lost control of its 10 Rittenhouse Square project, a \$250 million Philadelphia condominium building that was also designed by Mr. Stern. In that case, the project's mezzanine lender, a Philadelphia area construction workers' union pension fund, assumed management of the building and later sued the main lender, New York's Star Financial Inc., to prevent foreclosure.

In Baltimore, where ARC Wheeler also recently renovated a historic building as a luxury hotel, the developer tapped an institutional investor for funds, raising \$4 million in capital from the Mid-Atlantic Regional Council of Carpenters Pension Fund in 2008 to help pay for the land. The union's president didn't return phone calls seeking comment.

"It was a partnership that didn't work out," says Robert Ambrosi, chief executive of ARC Properties Inc., of Clifton, N.J., the main provider of funds for the ARC Wheeler venture, which was owned by ARC Properties and Wheeler Bros. Holdings. Mr. Ambrosi declined to say how much the note on the Inner Harbor property was sold for, citing a confidentiality agreement, but did say that its sale "came as a surprise to everyone." A spokesman for Susquehanna Bank, a unit of [Susquehanna Bancshares Inc.](#), declined to comment.

ARC Wheeler's story is similar to that of many other midsize regional developers that have been caught up in the grind of tight credit and falling rents and occupancies. Last year, Antares Investment Services, a Greenwich, Conn.-based real-estate investor, closed its doors after a big bet it made on the growth of the hedge-fund industry in Connecticut belly-flopped. At the height of the real-estate boom, the company built dozens of McMansions that never sold and put \$351 million in debt on two apartment complexes in the tony New York City suburb that it hoped to convert into condominiums to sell to hedge-fund managers. It has since lost most of its assets. A former executive at Antares couldn't be reached for comment.

Also, Charlotte, N.C.'s Crescent Resources LLC last year made a big bet on the Phipps Tower, an office building in the upscale Buckhead neighborhood of Atlanta, that went sour and contributed to a huge debt load that forced the developer to file bankruptcy. The developer emerged from bankruptcy, under new leadership, in June.

"For developers of any size range but especially as you move down, size-wise, the access to capital is still much harder. It's a big challenge," says Matt Anderson, a managing director at research firm Foresight Analytics. "Market conditions have weakened substantially."

—Maura Webber Sadovi contributed to this article.

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