ECONOMIC DEVELOPMENT COMMITTEE
MEETING NOTES
AUGUST 28, 2013

Attendees:
Committee Members Absent: J. Fiske, D. Holmes, M. Tendam, S. Freeman
Staff: J. Nyden, P. Zalmezak, M. Jones, W. Bobkiewicz, C. Plante
Presiding Member: A. Rainey

I. Call to Order/Declaration of Quorum:
A quorum being present, Chair Rainey called the meeting to order at 7:38pm.

II. Approval of Meeting Minutes of August 7, 2013:
Ald. Wynne moved to approve the minutes.

Ald. Burrus moved to amend minutes to include the following language:
“Ald. Tendam moved to fund Now We’re Cookin’ $60,933 for the period from 9/1/13 – 12/31/14, seconded by Ald. Wynne.” The Committee voted unanimously, 8-0 to fund Now We’re Cookin’.

The minutes of the August 7 meeting were unanimously approved 8-0.

III. Amendment on West Village planters
Ald. Wynne moved to approve recommend the amended West Village Great Merchant grant request, Ald. Grover seconded. Ald. Rainey reminded West Village representatives to make sure planters are taken care of. The motion unanimously approved (6-0).
IV. Tour of Howard Street

Ald. Rainey and Johanna Nyden, Economic Development Division Manager led a tour of Howard Street. Ms. Nyden said that this was the first time in two years that an Economic Development Committee meeting had been held in the area and that the tour would cover the area between the Police Outpost Elmwood, with stops at Apple the Second to meet the business owners, then see façade improvement recipients and Peckish Pig, a new brewpub slated to open on Howard Street by the end of the year.

Ms. Nyden introduced Katrina Balog of the Rogers Park Business Association, a nonprofit that does business and economic development projects for the Chicago side of Howard Street, who was joining the tour.

V. Items for discussion

a. Financial assistance for Beacon Academy

Paul Zalmezak, Senior Economic Development Coordinator introduced Beacon Academy, and noted that Evanston is being presented the opportunity to have a Montessori high school occupy the former Barnes & Noble space at Church and Sherman or 622 Davis Street. The school’s board is seeking guarantees loan guarantees. Although they originally planned to ask the city to guarantee $650,000 in loans, they expect the number to be much smaller now if the committee is interested.

Beacon would be the first Montessori high school in Chicagoland, and will draw students from numerous feeder schools. Beacon Academy would further Evanston’s tradition of progressive and diverse educational offerings. The proposed downtown location would help diversify the downtown business base, bringing parents (mostly visitors) downtown to participate in school activities and pick up and drop off their children. The school plans to be very engaging and hands-on, possibly pursuing partnerships with the library, local artists and the business community. The school would bring around 30 jobs to the area, which is near the median for companies in downtown Evanston.

Mr. Zalmezak introduced Jill Greer, President of the Beacon Academy Board of Directors.

Ald. Rainey expressed concern and interest in the risk involved because Beacon is a new concept. Ald. Rainey noted that since the bank is asking for a guarantee, obviously the bank sees a risk.

Ms. Greer said she is a resident of the 7th Ward and her children currently attend Chiaravalle, where she also serves on the board. She has worked
in investment banking, specifically public finance, and worked w/ the city on Chiaravalle deal.

Danielle Levy introduced herself as another board member. She lives in Chicago and her children attend a Montessori school in Rogers Park.

Jeff Bell will be the head of the new school. He lives in Evanston and his children go to Chiaravalle.

Brian King introduced himself as the school’s treasurer. His children go to Near North Montessori in Chicago. He is an advocate of Montessori education and wants to see it continue for older students. He stated this is an exciting project because Evanston is such a good fit with Montessori education.

Ald. Grover noted that she had had preliminary meetings about the Beacon proposal years ago. At that time they were interested in the Harley Clark mansion but were scared off by the renovation costs. She reminded them that Harley Clark remains available. Ald. Grover also noted that Evanston has lost two schools recently with the departure of National Louis University and Kendall College, and so it was interesting that a new one wants to come in as a renter, and would be paying property tax as a renter indirectly.

Ald. Grover noted that the City has had involvement in other schools, possibly Roycemore in the past other than just issuing permits. She shared an email from a constituent concerned about city offering support to a potential competitor for ETHS and asked if Beacon Montessori was really competition.

Mr. Bell responded that Beacon would be more a competitor for Baker or Roycemore because it’s intended to be much smaller. They are trying to raise as much as possible in order to offer financial aid and keep tuition lower than market rate, which is over $26,000 for other area private schools. Beacon will begin taking applications for admission starting on Tuesday 9/3, and has already had 30 inquiries despite only advertising in the school handbook at Chiaravalle.

Ald. Rainey inquired about the landlord for their proposed space.

Ms. Grier responded that the board is actually talking with two different landlords for two possible spaces – the former Barnes & Noble on Church Street and the 622 Davis office building. They like the Church Street space because it’s “raw” rather than long hallways with classrooms, however, negotiations have been slow and they need to announce a site soon because of the upcoming admissions process. The Davis space is
built out, making it much more affordable. The costs that will be presented to the committee will be lower if they go with the Davis site, where negotiations with the landlord have also been more positive.

Ald. Rainey asked Mr. Zalmezak what guaranteeing a loan for Beacon would actually mean for the City. Would the City have to maintain a reserve to cover default?

Mr. Zalmezak said that the purpose of tonight’s meeting was to gauge how comfortable the committee would be with the idea and will outline risks at a later meeting, but funds would have to be set aside.

Mr. Bobkiewicz pointed out that there are other ways to structure it. The idea tonight was to bring this to the committee to discuss. It’s a unique opportunity to create jobs and create activity downtown. If it was in another part of town we might not be involved, but downtown could use it. Want to see what the committee would like.

Ald. Rainey expressed concern about the risk given the limited amount of detail provided and asked if public bodies even do guarantees like this.

Staff responded that yes, they do.

Mr. King said that his understanding is that the city doesn’t have to put up cash right away.

Ald. Wynne said that she understands what it would mean for downtown and parents seeking alternatives, but remains concerned about the level and duration of risk it would mean for the City.

Ms. Levy admitted that Alderman Wynne’s question is the same as the board’s, which has same concerns. They are working on an aggressive capital campaign and have raised $800,000 in five months. They are confident in the project’s potential but are having issues with timing. She conceded that there are certainly things that can be done to minimize or mitigate the City’s risk. The dollar amount is significantly lower – closer to $250-300k at the Davis site.

Ald. Wynne asked if there would be a ramp-up in capacity or if the school planned to open at the full capacity described.

Mr. Bell responded that they plan to have 30 freshmen students initially, with a goal of adding classes to eventually reach 200 or 300 students. He conceded that this wouldn’t work in either of the proposed spaces long-term, though they plan to stay in Evanston when the time comes to expand. They just need to get started somewhere.
Mr. Zenkich said that the Beacon board members had anticipated his question whether there would be a way to decrease the guarantee – it looks like the answer is yes?

Mr. Zalmezak responded that he had spoken with M.B. Financial and reported that they’re willing to be flexible on terms, which the City would probably demand.

Ald. Grover asked if the construction loan would be paid out of fundraising or tuition.

Ms. Grier said that having a location will make fundraising easier. They are currently soliciting unrestricted gifts that can be used for anything, so there’s not really a distinction. People understand the desire to have a starter space. De-school in Stanford changes locations every few years to adapt to changing pedagogy. Right now Beacon is looking at 5 years and the landlords they are speaking with are amenable to this.

Ald. Burrus pointed out that Beacon has $800,000 and needs $900,000 for construction and asked why they don’t just use that $800,000 they have. She also expressed concern that they don’t focus on low to moderate income families, and other private schools targeting those families haven’t asked the City for help.

Ms. Grier responded that construction wasn’t the only cost because they also have four employees on staff right now, and they expect to need to be able to support inevitable operating losses during the ramp-up in capacity. Even at $20,000 a year, tuition alone won’t sustain the school. People tend to make pledges rather than write one big check. Though they anticipate additional donors, financing is appropriate given the situation.

Ald. Burrus remained concerned that the project amounts to support for wealthy families when the City has other needs and goals, particularly youth job development and programs for needier students, which are a priority for the Council. This would be giving $600,000 to upper-middle class people, and the community has real concerns about that.

Ald. Rainey expressed concern that $600,000 is a lot for only a 5 year lease. If it was 20 years it would be a different story. Even if Beacon is successful, they still would need to move in 5 years.

Ms. Grier pointed out that they anticipate a much smaller amount for the guarantee, closer to $250,000-$300,000. On the idea of it being only wealthy families, she stressed the organization’s commitment to diversity
and inclusivity, pointing out that one of the feeder schools is actually a Montessori charter school in Chicago. They want to make the school accessible, which is why they're doing so much fundraising. Beacon is committed to financial aid even if a student needs a full ride.

They also recognize the need to safeguard taxpayers – that's why they want a guarantee instead of a grant – the goal is for the City to not have to spend any actual money at all. Rather, it should be seen an investment in 20 to 30 professional jobs as well as 200-300 kids with families who will come to Evanston to pick them up, drop them off, eat lunch, and attend school events. Beacon conservatively estimates a $3m economic benefit to the city from these activities.

Ald. Rainey said that this was the time to give staff directions on what to do next and move on. Ald. Burrus pointed out that when a nonprofit moves into a building that is currently paying taxes, the building owner usually then requests a tax break because the tenant is a nonprofit.

Ms. Grier said that the landlord hasn’t given any indication that this will be happening and said that her understanding is that the landlord is building the taxes into the lease.

Ald. Rainey inquired about zoning.

Mr. Zalmezak replied that the school would need a special use for either of the spaces being considered, but they've talked to zoning staff already.

Ald. Grover said that they would need to see a business plan and more information when they come back to the committee.

Mr. Zenkich asked whether the proposal was consistent with the downtown master plan?

Mr. Zalmezak responded that they will have to look into it this as well as a risk assessment. The proposal could look very different when they return to the committee.

b. FEW Spirits

Ms. Nyden introduced Paul Hletko of FEW Spirits.

Mr. Hletko said that FEW has been in Evanston for two years and was the third distillery to open in Illinois. Although half a dozen more distilleries have opened in Cook County since FEW opened, FEW has remained ahead of the curve, winning several awards and recognitions as it has expanded its distribution and become a destination for tourists.
Ms. Nyden noted that the North Shore Convention & Visitors Bureau estimates that tourists spend $100+ a day.

Mr. Hletko said that in the two years FEW has been open, distribution has expanded from IL to 14 states and several foreign countries, and won an award in the UK for their gin. FEW whiskey was recently named to the top 10 buying guide by Whiskey Advocate.

As sales are growing FEW is trying to expand but is encountering resistance from Springfield. Mr. Hletko said that when he first approached the City, the state’s production cap had been lifted to 15,000 gallons. He thought this would be fine, but demand for FEW products has far exceeded the cap. The state is now limiting production to 35,000 gallons, which is making it difficult to secure investment to expand in Evanston. There are seven years left on the current lease, and FEW also leases another building in Evanston for 10 years. Mr. Hletko reiterated his strong commitment to Evanston and desire to stay in town to expand.

Ald. Rainey asked if there was any truth to rumors that FEW was considering relocating. Mr. Hletko admitted that he has been approached by several other jurisdictions out of Illinois offering a friendlier regulatory environment plus financial incentives, but his preference is to remain in Evanston. He said that the City actually helped lobby the state to lift the production cap before, which people tend not to believe, and he thanked the Council and City staff for all the help and support. FEW has been raising equity because banks are unwilling to lend in this economy, and they have debt already. They are currently brewing 13,000 gallons and trying to expand to the legal limit. Other states either have no limit or a much higher limit, between 60 and 100 thousand gallons.

Ms. Nyden said that FEW wanted to seek a loan from the city and come back with a loan package listing specific uses for the funds for the next meeting.

Ald. Burrus said that the committee would want to see financials if a loan was to be discussed. She reminded Mr. Hletko that the committee has no control over Springfield.

Ald. Burrus asked Mr. Hletko if it would be possible for FEW to open a second production facility in another state and still keep the tasting room and distillery in Evanston.

Mr. Hletko said that the language in the statute also applies to out of state affiliates, and production there would still count against the production cap, so opening additional facilities out of state would jeopardize licensing and permitting in Illinois.
Ald. Burrus asked if this meant he would have to move the entire operation out of state under current law. Mr. Hletko said that this was correct. And we’re very passionate about doing everything by hand, transparently, etc. Many similar “small producers” don’t actually produce anything, they just repackage other stuff. Brand is tied to Evanston, we don’t want to leave.

Ald. Wynne asked if these fake craft distillers have tasting rooms with stills. Mr. Hletko responded that they do not.

Ald. Rainey directed staff to work with Mr. Hletko to have the loan package ready for the next meeting.

VI. Communications
Ald. Wynne reminded the committee that the Trader Joe’s Lei Cutting will be held the morning of September 6, 2013.

Ald. Rainey announced that Peckish Pig had secured all the necessary construction permits. She also said that the August 27 community meeting about plans for the Autobarn to expand to the 8th Ward went well and the plans were generally well-received by neighbors.

Ald. Grover said that the central station apartments at 1700 Central Street were 25% leased and occupancy would begin in October. The building is also LEED silver certified. Ald. Grover also announced that a letter of intent has also been signed to lease restaurant space to Trullio.

VII. Adjournment

Ald. Wynne moved to adjourn the meeting, seconded by Ald. Rainey.
The Committee voted 6-0 to adjourn the meeting.
The Meeting was adjourned at 9:21 PM.

Respectfully submitted,
Cindy Plante