AGENDA

1. CALL TO ORDER / DECLARATION OF QUORUM
With a quorum present, Alderman Wynne called the meeting to order at 8:14 pm.

2. APPROVAL OF MEETING MINUTES OF MAY 28, 2014
Alderman Burrus moved approval. Alderman Holmes seconded. A voice vote was taken and the meeting minutes of May 28, 2014 were unanimously approved.

3. ITEMS FOR CONSIDERATION
   A. Funding Requests for Merchant Grant Program
      Meagan Jones, Economic Development Coordinator, stated that there were five business districts requesting a total of $45,000 in Merchant Grant funding to complete eligible projects.

      Alderman Burrus moved approval. Alderman Grover seconded.

      The committee discussed Evanston Edge and web traffic for the businesses. There was concern that Evanston Edge was overlapping business websites. Meagan Jones clarified that Evanston Edge was a good tool for all businesses as some didn’t have a website.

      A voice vote was taken and the funding request for the Merchant Grant Program was approved 9-0.

   B. Funding Request for Façade Improvement Grant for Campus Gear,
1720-1722 Sherman Avenue

Ms. Jones stated that Campus Gear was moving to 1720-1722 Sherman Avenue and requesting an amount not to exceed $11,003 to install an awning and do façade work. The property is not in a historic district and it is not a landmark, but there are architectural details on the buildings along Sherman that should be enhanced or preserved.

Alderman Burrus moved approval. Alderman Grover seconded. A voice vote was taken and it was approved 9-0.

C. Funding Request for Façade Improvement Grant for Fitness Avenue, 1910 Main Street

Ms. Jones stated that Fitness Avenue was requesting funding for the installation of a new sign. The sign would have simple red lettering, include backlighting, and be similar to surrounding business signs. The business is requesting an amount not to exceed $1,890.00.

Alderman Burrus moved approval. Alderman Rainey seconded. A voice vote was taken and it was approved 9-0.

Public Comment

Nancy Floy, owner of the Heartwood Center located at 1818 Dempster Street in Evanston, stated that she requested a $100,000 loan two years ago. The loan was for an expansion that was completed in September. Since the expansion, her income and the number of small businesses she incubates has doubled. Additionally, her patronage has doubled and her business is fully booked into 2015. She wanted to thank the Committee and staff, especially Paul Zalmezak and Johanna Nyden. She intends to purchase the parking lot across the street and the building next door – three properties in total. She is president of the West End Village Association and working with incoming businesses including Starbucks and Curt's Café. She states with great joy that on August 15, 2014, she will pay off her loan in full; five years before it is due. She additionally thanked Alderman Braithwaite.

4. ITEMS FOR DISCUSSION

A. Financial Assistance for Culver’s, 2423 Howard Street

Johanna Nyden, Economic Development Division Manager, opened the discussion by stating that Culver’s has been working with the City to acquire the empty lots on Howard Street. Staff is requesting that the Committee fund a portion of the project. The property is located in the Howard/Hartrey TIFT district. Ms. Nyden further requested that all funding sources be considered.

Guy Hollis, Franchise Owner for Culver’s, thanked the Committee, Alderman Rainey, and staff, for the assistance over the past five years. Mr. Hollis reviewed his history with the company, and the company’s philosophy including the company’s commitment to the communities that support it.

Kevin Weasler, Franchise Owner for Culver’s, elaborated on the company’s history and the community based philosophy that defines the company.
Mr. Hollis talked about their experience identifying a property in Evanston and the negotiations necessary to procure the site. He stated that the company is asking the Committee for $800,000 to assist with funding for the project. The total project cost is estimated at $2.8 million; the biggest issues include removal of dirt, high building costs, and site and land acquisition costs. Another challenge includes the location as it is not well populated and includes competition from businesses at Oakton and McCormick. Sales projections are based on other Culver’s locations. Benefits to the community include 50 new employment opportunities for Evanston residents, 25 full time jobs and 25 part time jobs. Additionally, 1% of annual sales are donated back to local community organizations - $30,000 to $40,000 in charitable donations per year. The company will use local contractors for the project and will take Committee recommendations. Mr. Hollis closed by stating that the restaurant that hopes to serve about 7,000 per week and will bring increased business to surrounding local stores.

Alderman Rainey requested that Mr. Hollis discuss the ideas generated in past meetings that would lower the loan amount.

Mr. Hollis talked about how the numbers were derived, stating that the site has higher construction costs and lower sales projections given the location.

Alderman Rainey asked if the comparison store was also in a shopping center.

Mr. Hollis stated that the comparison stores were free standing. The Howard location has about 20,000 cars that pass it while the other stores have more traffic. Additional sales challenges include religious factions around Howard that may not patronize the store. Mr. Hollis stated that the company hopes to overcome challenges by getting involved in the community.

Mr. Raymond Zenkich stated that the project is exciting, but expressed concern that the loan request was to make up for projected loss in sales.

Mr. Hollis replied that part of the concern was the projected loss in sales and part was the large mound of dirt on the property.

Mr. Zenkich stated that making the site economically viable was different than making a request for funds to offset sales.

Mr. Hollis replied that sales would be equal to the average Culver's.

Mr. Zenkich also asked about higher construction costs.

Mr. Hollis replied that the estimate to remove the soil was $150,000. Additionally the construction costs are higher in this labor market – the greater Chicagoland area.

Alderman Rainey asked about the number of stores in Cook County.
Mr. Hollis replied that all of his stores are in Cook County.

Mr. Zenkich asked if the construction costs were the same except for the remediation costs.

Mr. Hollis replied that the costs were higher here because of the remediation, but without the remediation costs, the cost to build the store would be similar to the other stores built in Cook County.

Alderman Grover asked for the location of the next nearest store.

Mr. Hollis replied that the nearest store is in Morton Grove on Dempster.

Alderman Grover stated that TIFT funds could address the remediation issues and other atypical issues.

Mr. Hollis stated that the last store build cost $2 million and is now generating over $2 million in sales. This site will be $2.8 million to build and the projected sales volume is less. Without the loan the project can’t happen. The company can’t get a fair return. It would need to find a site with more traffic. The shopping center is dated and the company would have to find a new location.

Alderman Rainey pointed out that the shopping center continues to thrive and that Culver’s claims to be a destination restaurant so traffic will increase.

Alderman Holmes asked if the traffic estimate was accurate.

Alderman Wynne stated that she was surprised by the loan request; she believes it is high and agrees with Mr. Zenkich’s concerns. She stated that for $800,000 to cover the gap, the store would only generate $36,000 in sales tax annually for the City; the loan is a high to fill the gap for a low return in sales tax.

Alderman Rainey stated that it costs $2 million to build a store, but this store costs $2.8 million, so the loan request is for the difference. She asked if construction costs could be lowered through value engineering or assistance in other ways. Alderman Rainey also pointed out that The City has never received sales tax from this plot or any other form of revenue because it is empty. She suggested ways to generate money, through a real estate tax rebate or sales tax rebate, some community and economic development funds because the project will create employment, TIFT funds could also be included. The whole package could make the loan possible. She then asked if there was a contract on the property.

Mr. Hollis stated that the company was reluctant to sign the option agreement, which would finalize a contract for the purchase of the property, until the loan with the City was secure.

Alderman Rainey asked what the company needed to sign the option.
Mr. Hollis stated that the company required economic incentive. Without it the company will only make a 3% or 4% return on its investment. The company would rather find a new location.

Alderman Rainey requested that staff review the proposal.

Mr. Hollis stated that if the dirt removal was less than $120,000, then he could move forward.

Alderman Rainey asked if the soil could be tested.

Mr. Hollis stated that he can test the soil once he signs the option.

Alderman Holmes asked how the rest of the loan would be spent.

Mr. Hollis replied that the money would go to land acquisition, work on the parking lot, and electrical connection fees.

Alderman Holmes replied that the Committee needed more details from staff.

Mr. Hollis also stated that the company would pay just over $500,000 in annual salaries.

Mr. Zenkich asked why the location isn’t attractive if the cost to build is comparable.

Mr. Hollis responded that the cost of the project is $800,000 more than the last four stores.

Mr. Rodgers asked why that was the case.

Mr. Hollis stated that the remediation was high and that the sales for the store might be limited.

Alderman Wynne stated that the soil is $125,000 which leaves $650,000. She asked to know how the additional funds would be spent.

Mr. Hollis stated that the cost of building would be higher because the market is different; if the sales were higher, than the building cost wouldn’t matter as much to the company.

Ms. Nyden summarized the issues by stating that there is interest in supporting the project and finding ways to whittle down the cost in addition to finding more funding sources other than TIF. She further stated that she would also work with the County.

Alderman Rainey stated that the Committee supported Autobarn because that company provided more jobs. This project is clearly as significant with 25 full time jobs.
Alderman Wynne stated that the Committee will review this request at the next
meeting and will look for more detail from the staff. The next meeting is on
Wednesday, August 27.

Mr. Hollis and Mr. Weasler thanked the Committee.

B. Financial Assistance for Davis Transportation
Mr. Zalmezak provided a history of the company and stated that the company has
the opportunity to expand its business by entering into several large contracts with
local organizations. The company must acquire more vehicles in order to bid on
available contracts. Conventional financing isn’t an option as banks ask to review
contracts; the business owner can’t accept contracts without the capital to lease or
purchase the vehicles. The business owner is seeking a partnership with the city
and perhaps the county and/or a private bank, to create a loan package in the
amount of $140,000. The majority is for vehicle leases. This is a discussion item
because the company doesn’t fit into the model of our work plan. This could fit into
the Cook County Loan Program or CDBG because it would create seven new jobs.

Jared Davis introduced himself as one of the owners and provided more
information about his family’s engagement in the community. As a result, the
business has loyal clients and has been able to expand to include a messenger
service.

Mr. Zenkich questioned the urgency of the loan.

Mr. Davis stated that the City is working to create a stronger partnership between
Evanston businesses and Northwestern University. Northwestern represents 65%
to 70% of the total business for the company and Northwestern requested that the
company bid on recent contracts in excess of $100,000. There are other pending
contracts with other local businesses for the same amount that businesses have
offered, but the company has been unable to bid on these contracts because of a
lack of vehicles. Mr. Davis listed other companies that have a longstanding
relationship with Davis Transportation.

Alderman Burrus stated that she has heard nothing but good things about the
company from Northwestern University.

Alderman Wynne asked about the current fleet size.

Mr. Davis replied that the company currently owns six vehicles. Three are diesel
engine mini coach busses. He further stated that one of his longer term goals is to
add an electric mini coach bus to the fleet.

Mr. Zenkich asked how the fleet would expand with the loan.

Mr. Davis replied that the loan would allow his company to lease two more 25
passenger busses and a van that would seat 14 passengers. Jared Davis
encouraged the Committee to review the company’s website at davischarter.com.
The addition would expand the fleet to nine vehicles and allow the company to bid on the available contracts.

Alderman Rainey asked about the structure of the loan; whether it was a loan or a grant.

Mr. Zalmezak responded that staff would have to work out a loan with a market rate interest rate.

Alderman Rainey asked if the company was eligible for BUILT.

Courtney Pogue outlined the Cook County process of evaluating requests for the BUILT in Cook County Loan Fund. This is a $3 million fund under HUD Section 108. The loan fund is arranged into three different sections. The first is for gap financing for larger urban projects, the second is called BUILT 50/40 and is for small businesses - requiring banks to provide 50% of the capital, the county provides 40% and the business owner provides the final 10%. The last program is the emerging business development program and is used for working with minority businesses; it provides 50% of the loan and a bank must provide the other 50%.

Alderman Rainey asked if the third loan described would be an option if the City financed the other half instead of a bank.

Mr. Pogue stated that he would review the underwriting involved. He described his background in underwriting loans.

Mr. Zalmezak stated that the business is hoping to use CDBG funds for the project.

Mr. Pogue stated that he would have to research how the loan would benefit the entire county, not just Evanston. The business would have to employ Cook County residents. The applicant would have to work with Chicago/Cook Workforce Partnership, a job training program, to identify qualified employees.

Alderman Grover asked about the timeline for applying to and receiving a loan through Cook County.

Mr. Pogue replied that the process could take 90 to 120 days.

Alderman Holmes stated that the options were exciting and that other businesses could benefit. However, she would like to explore all options for Davis Transportation.

Mr. Zalmezak stated that the City’s timeline mirrors the County’s timeline.

Alderman Holmes requested a parallel process and asked that the Committee move forward.

Alderman Tendam asked about the skill level of the jobs this opportunity would create.
Mr. Davis stated that driving positions would be created and that he would involve other parts of the County by purchasing, servicing, wrapping and washing the vehicles from a company in Des Plaines.

Mr. Zalmezak added that Oakton Community College has a CDL program available.

Mr. Davis stated that he needs to employ people who have a CDL or Commercial Driver’s License.

Alderman Holmes added that the Youth and Young Adult Division could also identify candidates.

Mr. Zenkich asked if investors would be more flexible.

Mr. Davis stated that this was his first experience seeking additional funds. He described his learning process with the business and his willingness to work with other investors. Investors also wanted to review contracts before investing in the company.

Alderman Burrus stated that she recommended that Mr. Davis come before the Committee and that Mr. Davis was researching other funding options at the time she approached him. She also stated that LEND has money.

Mr. Davis stated that he tried working with LEND.

Alderman Grover suggested that Mr. Davis consider green options. She suggested he become the “greenest” fleet in Evanston, but recognized that it was a long term goal.

Mr. Davis agreed that his goal included purchasing “green” vehicles over the next few years, but not with the requested funds.

Alderman Rainey moved to direct staff to package a loan considering the various funding sources and that the issue be moved to Council rather than coming back to the Committee.

Alderman Tendam seconded the motion.

Mr. Wally Bobkiewicz, City Manager, stated that the next Council Meeting was too soon, but that this issue could be added August 11, 2014.

A voice vote was taken and the motion passed 9-0.

5. COMMUNICATIONS
Mr. Courtney Pogue, Deputy Director of Economic Development for Cook County, discussed the process for evaluating and approving transactions and described different tax incentives for businesses.

The Committee members, particularly Alderman Rainey, thanked Mr. Pogue for his participation.

Alderman Burrus recommended discussing the communications topics and called for any other topics.

A. Semi-Annual Status on Economic Development Loans
Ms. Nyden discussed the outstanding loan with Chicken and Waffles and assured the Committee that staff was working with the business owners to make the loan current.

Mr. Zalmezak discussed recourse options.

Alderman Rainey noted that all other loans were current – she congratulated staff and encouraged the County to take note.

Alderman Holmes asked about the number of default payments.

Mr. Zalmezak stated that the business was close to three months in arrears.

Alderman Holmes asked if the company made payments.

Mr. Zalmezak stated that the business has made payments and that staff continues to work with the owners.

B. Second Quarter Report for Now We’re Cookin’
No discussion

C. Second Quarter Report from Curt’s Café
Mr. Zalmezak stated that Curt’s Café is paying its loan back early.

Alderman Rainey asked about Heartwood paying off the loan.

Mr. Zalmezak confirmed and clarified that the owner is currently paying off interest.

D. Announcements/Updates from EDC Members
Mr. Zenkich stated that he knew of a firm that collected data on vehicle and pedestrian traffic that the City might be interested in purchasing and making available to potential businesses.

Alderman Burrus stated that Traffic Department collected data on vehicle traffic, but not pedestrian traffic.

Mr. Zenkich confirmed that he was talking about pedestrian traffic and that it can vary significantly between different areas. He stated that he didn’t know how much the data would cost.
E. Monthly Economic Development Communication
   No discussion

F. Real Estate Transfer Tax Report
   No discussion

6. ADJOURNMENT
   Alderman Burrus moved to adjourn. Alderman Tendam seconded.
   Meeting was adjourned at 9:37pm

Next Meeting: August 27, 2014

Respectfully Submitted,

Jessica Wingader
Administrative Secretary