ECONOMIC DEVELOPMENT COMMITTEE
MEETING NOTES
August 22, 2012

Attendees:


Committee Members Absent: J. Fiske, S. Freeman, D. Holmes, M. Wynne

Staff: S. Griffin, J. Nyden, P. Zalmezak, M. Jones

Presiding Member: J. Grover

I. Call to Order / Declaration of Quorum
   With a quorum being present, Chair Grover called the meeting to order at 7:30 pm.

   Ald. Burrus moved to approve the meeting minutes of the July 25, 2012 Economic Development Committee meeting, seconded by Ald. Tendam.
   The minutes of the July 25, 2012 meeting were approved unanimously, 7-0.

III. Consent Agenda
   A. Façade Improvement Program Applications
      Ald. Grover introduced and briefly described the Façade Improvement Program Application item.

      i. Request for Funding Assistance from 607 Howard LLC (607-609 Howard Street).

      Ald. Rainey asked that this item be removed from the consent agenda. She stated that the building in question is in need of improvement and that she wants to be certain that owner of the building has paid all of his fees and is on the Howard Street Program. Ms. Nyden explained that the $428 has been paid towards the outstanding fees and that staff is working with Administrative Services to make sure the payment has been cleared.

      Mr. Sam Prassinos of 607 Howard Street LLC was then introduced. Ald. Rainey continued, saying that the next building that Mr. Prassinos should address is 701 Howard Street. Mr. Prassinos stated that the tenant for that space was told to fix the issues but the tenant refused to do so without funding to cover the costs.

      Ald. Burrus asked for clarification on the ownership of the building and pointed out that the requirement of an Evanston based bid did not appear to have been met. Ms. Nyden stated that staff was verifying the validity of the Evanston based bid and that conditional approval is being sought due to the time between committee meetings.
Ald. Rainey asked for support for the project, stating that the new bakery that is in the building has been getting a lot of attention and support and that the cleaners next door does not have its own entrance.

Mr. Mennemeyer asked if the applicant was informed of the requirements for the program. Ms. Nyden responded yes and that the issue is that there is no record of the bidder in question being an Evanston based business and this needs to be confirmed before proceeding.

Ald. Tendam moved to recommend to City Council the approval of the request for funding assistance from 607 Howard LLC with the condition of the submission of an additional Evanston based bid, seconded by Ald. Rainey.

The façade request was recommended to City Council for approval, 6-1.

V. ITEMS FOR CONSIDERATION

A. Consideration of Financial Assistance for Hilton Garden Inn (1818 Maple Avenue)

Ms. Nyden introduced the project, recalling that at the March 23, 2011 meeting, staff was directed to work with the Hilton Garden Inn to find alternative funding sources to cover the cost of the project as well as work internally with City staff on signage requirements and options.

Barbara Klein and Adrian Brewington of Hilton Garden Inn summarized the proposed signage and current renovations underway. Ms. Klein explained that the hotel has undergone a number of smaller renovations and that a $2 million project will begin after Thanksgiving. The hotel wishes to create a better sense of arrival when guests come to the building and improve the lighting for that portion of the neighborhood.

Alderman Burrus asked how much money has been put into the renovations and what the $2 million is being used for. Mr. Brewington responded that some renovations have begun and money has been committed. Ms. Klein stated that much of the work will be done in their slower months.

Ald. Burrus asked how much revenue the hotel generates annually for the City's Hotel Tax. Mr. Brewington responded that approximately $407,000 is generated per year.

Ald. Rainey expressed her support for the project explaining that it is difficult to tell what businesses are on the block of the hotel without proper lighting and signage. Mr. Mennemeyer agreed and suggested that staff look at possibly working with the owners of the parking lot across the street from the hotel to improve landscaping and general aesthetics of that side of the block. He believes lighting for that area is the first step and that if the City could work towards making the street more pedestrian friendly that would make that part of downtown much better.
Mr. Zenkich inquired whether or not the $14,000 for the new signage could have been absorbed by the renovation budget of the Hilton Garden Inn. Mr. Brewington responded that the $2 million budget was for interior remodeling and that the signage was talked about as an additional project. He continued, explaining that the owners wanted to seek support for this piece of the project and if that could occur, the owners would be able to put in more funding to enhance the overall façade.

Ald. Tendam asked if more landscaping is planned for the area. Mr. Brewington responded that this was considered, however, many people mentioned the lack of lighting so the concentration was on enhancing the canopy, lighting and the signage. Tendam then asked if the hotel met with sign review to which Mr. Brewington replied that they have begun discussions but have not submitted a formal application.

Ms. Summers clarified if the proposal is to improve down-lighting for the canopy. Ms. Klein responded yes and that there is very little light diffusion coming out currently. Ms. Summers then suggested that the hotel consider using black out glue for the sign so that only the letters are lit at night.

Ald. Rainey moved to recommend approval to City Council of financial assistance for Hilton Garden Inn for an amount not to exceed $14,700 with the condition that the hotel obtains two additional bids, one being from an Evanston based business, seconded by Ald. Tendam.

The recommendation was approved unanimously, 7-0.

B. Consideration of Financial Assistance for Technology Innovation Center (820 Davis Street)
Mr. Zalmezak gave a brief overview of the project stating that at the May 23, 2012 EDC meeting, the Committee gave a recommendation to City Council to fund the TIC for a total of $75,000 to be paid in two installments- the first $25,000 being paid immediately and the second installment of $50,000 to be paid upon completion of established tasks. Mr. Zalmezak explained several accomplishments of TIC since that meeting and stated that the business plan competition which had been scheduled for this summer had been pushed back to allow for further planning.

Mr. Mennemeyer asked if staff believes progress has been made since the approval of funding was made and that an end game to the requirements is in sight. Mr. Zalmezak replied that staff believes that significant progress has been made and that Ms. Louise Burton, marketing coordinator for the TIC, has been providing assistance in completing the required tasks.

Ms. Burrus asked who comprises the advisory board and board of directors. Mr. Lavengood, TIC Executive Director, replied that the advisory board is made up of a representative from North Shore Community Bank, Ed Schwartz and Bob Shaw; the board of directors consists of himself, Chuck and Mary Happ and Nancy Radzevich. Ms. Burrus then expressed concern about the board of directors controlling the money with little control coming from the City and advisory board. Mr. Lavengood stated that TIC has considered expanding the board to which Ms. Burrus responded that expansion was requested 2.5 years ago.
Ms. Burrus continued, stating that she does not see a return on the City’s investment and that the rent revenue from the incubator businesses should go towards salaries. Mr. Lavengood stated that there have been 500 jobs created with the businesses that have gone through TIC. This includes three companies which recently moved into TIC and provide a total of 21 jobs. Ms. Summers expressed that she finds the TIC operations to be flawed. She explained that TIC should not need City staff to tell them how to carry out what TIC should be teaching its businesses to do.

Ald. Rainey stated that she believes the City does a lot for TIC then asked for clarification on the data reporting submitted. Mr. Lavengood stated that during the course of data gathering, there remain information gaps. Mr. Zalmezak reiterated the importance of the company roster as the only source of information pertaining to return on investment and job creation. There needs to be a record of who is currently at the TIC, the alumni, and employment. Ald. Rainey then expressed that she did not feel TIC made the data gathering a priority and that the plan was to accomplish these tasks. Mr. Lavengood suggested that these tasks were actually to be completed by December 31 of this year.

Ald. Tendam indicated that it appeared as if tracking TIC companies was a challenge for Mr. Lavengood and asked if this was considered a priority of the TIC. Mr. Lavengood responded that initially he did not see the task as a priority but now does and that current business information is tracked; however, it is a difficult task to track over 300 businesses over a 25 year period.

Mr. Zenkich stated that he felt data gathering is a natural task for businesses to do and that the effort of TIC did not, in his opinion, reflect that the metrics were important. He then inquired about the amount of City staff hours spent with TIC. Mr. Zalmezak responded that, at the height of the work approximately 8 hours per week was spent with TIC, including weekly meetings. He added that technology partnerships are a significant part of the City’s economic development goals and will continue to be a priority. Mr. Zenkich then asked if the information from this meeting could be coupled with the next funding round for TIC. Mr. Lavengood replied that he has provided proposals for previous funding requests and could do the same for the next funding round.

Ms. Summers asked about the information from 2005, which appeared to be missing. Mr. Lavengood responded that he can provide that information; however, there were some holes in the data.

Mr. Mennemeyer asked Mr. Lavengood if TIC found it necessary to capture information on businesses prior to the City providing funding. Mr. Lavengood responded to a certain extent yes, however, he had not found more detailed information to be as critical at an earlier stage before the City began funding part of the operations. Mr. Lavengood reiterated that data has been gathered and is being expanded. He mentioned that this includes data from before he was a part of TIC.

Ald. Burrus expressed agreement with Mr. Mennemeyer’s comments and added that the City needs to more precisely define what the benchmarks and overall goals
should be for TIC as well as the benefits of having this organization in the community. Ald. Grover stated that she believes that this item deserves more consideration.

Ms. Louise Burton stated that TIC does have information on companies from the last five years. An initial database of alumni was created by John Allen which gave a picture of the alumni from TIC from start to 2002. She explained that part of the problem with data gathering is the staff size and time available to dedicate to that activity.

Mr. Lavengood stated that he is willing to shift priorities to get the needed tasks accomplished by December 2012. Mr. Zenkich stated that he believes the board should be concerned with these metrics.

Ald. Rainey expressed that she believes that TIC should have the ability to be self-sustaining. She then inquired as to whether or not the current tenants pay rent and if they could possibly support a higher rent. Mr. Lavengood replied that current tenants pay $450 per month for a single desk and that the market rate for rents in Evanston leaves no margin to cover staff salaries.

Ald. Rainey then commented that some companies had been in the incubator for a long period of time. Mr. Lavengood responded that this does happen and that he likes to have a variety of different businesses for a peer mentoring aspect.

Mr. Mennemeyer stated that there have been some high points for TIC but their time to accomplish the established tasks is decreasing. Ald. Rainey emphasized that the issue with the board of directors needs to be resolved and there needs to be a more balanced partnership between TIC and the City.

Mr. Zalmezak asked what the Committee wished to see from TIC. Ms. Summers stated that she believes the board of directors needs to take a prominent role step up while City staff needs to reduce its role. Ald. Grover summarized the needs saying that there needs to be a reconfiguration of the board of directors, the advisory board needs to be more robust and the old tenant research needs to be put on hold until those items are resolved.

**Ald. Grover asked for a motion to approve TIC’s request for funding however there was no second.**

**C. Consideration of Financial Assistance for Heartwood Center for Body Mind Spirit (1818 Dempster Street)**

Mr. Zalmezak summarized the project explaining that Nomad Dreams, LLC is seeking $100,000 to buildout a portion of 1818 Dempster Street which was recently vacated by Evanston Rebuilding Warehouse. Heartwood Center for Body Mind Spirit, which currently utilizes a separate part of the building will renovate the space and double the current 40 practitioner membership. Mr. Zalmezak stated that the building had recently appraised for $1,070,000 and explained that the $250,000 buildout project will also be funded in part by a $97,000 construction loan from Fifth-Third Bank and $53,000 in private equity. He also summarized the project’s public
benefits including job creation, neighborhood stabilization, modest increased revenues for the City, and alignment with economic development goals. He also summarized the general terms of the loan and presented the proposed repayment plan. Mr. Zalmezak then introduced to the Committee Ms. Dorinda Flores, Commercial Broker for Fifth-Third Bank, and Ms. Nancy Floy, sole member of Nomad Dream, LLC.

Ald. Braithwaite introduced himself and expressed his support of staff’s recommendation to provide the loan for the Heartwood Center expansion. He explained that he received many personal calls and emails from clients of the Center opening his eyes to the good that it does. Ald. Braithwaite highlighted the importance Heartwood Center plays as an anchor business for the Dempster Dodge area and that it serves as an incubator for the existing 40 businesses utilizing the space. He also pointed out 15 businesses that were formerly in the Center which grew and established practices within Evanston.

Ms. Mary Adams Tribeaux introduced herself and stated that she is a resident who lives near the Heartwood Center. She explained that she believes the Center stabilizes the community and believes that the businesses within it offer human support to local residents. She gave an example of this with an instance where Heartwood Center helped to organize a vigil after a shooting at the nearby McDonald’s. Ms. Tribeaux then encouraged the Committee to support the project.

Ald. Rainey stated that this type of request is similar to what the City of Evanston does for housing and redevelopment. In those cases, home loans are made to improve the community. She explained that this is an expansion of business which is an economic development goal and is in an area which needs support.

Ald. Burrus inquired as to why Fifth-Third Bank was not funding the full amount of the renovation. She then expressed that Ms. Floy is excellent at rallying support and sees the positive influence that the Heartwood Center has on the area and its residents, however, she has some concerns regarding the proposed return on investment and does not see how the loan is repaid with the documents submitted.

Mr. Zenkich stated that he felt the historical performance of the Heartwood Center was missing and that information is a better indicator of future performance. He then suggested that public funding may not be the proper avenue.

Mr. Mennemeyer stated that there are three areas of consideration in loan underwriting: loan to value, credit-worthiness and ability to repay. He indicated that he does like City and bank partnership when funding projects and prefers loans as opposed to grants. He questioned the ownership of the building and what the collateral would be. Mr. Zalmezak clarified that the collateral would be the building and there is a condition of the City taking a junior mortgage position on the property.

Ms. Dorinda Flores introduced herself and explained that the loan to value percentage is 43% which is a very good value. She then explained that the bank has not funded more of the project because they base their funding on historical numbers and values. She stated that the bank is comfortable with the projections of
the Heartwood Center but that they cannot depend on those when underwriting loans. Ald. Rainey asked if staff could access financial information that is not under FOIA (Freedom of Information Act) regulation, explaining that it would be helpful to have in order to better explain the funding levels provided by Fifth-Third Bank. Ms. Burrus responded that that request is more of a legal question.

Ms. Nancy Floy introduced herself and recognized those who have assisted her. She addressed several concerns saying that her personal financial information is woven into the presented information. She explained that Fifth-Third Bank is willing to refinance the existing mortgage loan in the future and that payment of the City’s construction loan will come from the future budget income plan and the income from those on the wait list. She explained that she has been in business for 13 years and never had a vacancy or a client cancel their contract.

Ald. Tendam asked for clarification on the appraised value and if it was a significant increase from the original value. Ms. Floy answered yes and that when she initially purchased the building it was an abandoned building in disrepair.

Mr. Mennemeyer expressed his support for the project and stated that the Economic Development Committee can take future tenants into account where the bank cannot. He then suggested that perhaps a modification of funding 25% of the project instead of the proposed 40% may garner more support and reduce risk.

Ms. Summers asked if the budget sheet tracks the Fifth-Third repayments. Ms. Floy stated that the budget takes into account the Heartwood Center rent payments to Nomad Dream LLC which would cover the Fifth-Third Bank repayment. Mr. Mennemeyer asked if Ms. Floy was 100% at risk to which Ms. Floy responded yes.

Mr. Zenkich asked Ms. Flores if, using Fifth Third Bank’s analysis of all of the financial information available, the City of Evanston is more at risk. Ms. Flores stated that there is more than enough collateral to cover any default and there is significant cash flow ratio. Mr. Zalmezak stated that the City was encouraged to mirror its loan to the Fifth-Third Bank loan and that staff will be working with the Law Department to define the security terms in addition to the second position on the mortgage. Ms. Flores then explained that collateral was not the issue. Heartwood is guaranteeing the loan.

Ald. Grover stated that she believes this is a matter of having faith in the success of the business.

Ald. Burrus stated that a clear distinction between Nomad Dream, LLC and Heartwood Center needs to be made and that the loan needs to be made to Nomad Dream LLC. She pointed out that there was a significant amount of debt for what the income of Heartwood Center is. She then asked if the bank would still fund the project should the City not provide any funding. Ms. Flores responded that the $95,000 construction loan would be off of the table. She continued, stating that the project is being funded but that bank would re-finance the $380,000 loan currently in place should the City of Evanston funding no longer be on the table.
Ald. Rainey indicated that the point of the project is for Heartwood Center to attempt to expand to an additional 6,500 square feet of space that previously was unavailable. She explained that the City is in a position to take some risk in assisting a project with a good track record and that she believes there is sufficient collateral for the risk taken.

Mr. Mennemeyer reiterated that he is comfortable with providing the loan if the City maintains a 2nd lien on the property and that his only question was if the funding ratio was one that the City wants to set forth for projects. He also expressed that he wanted to verify that the appraisal was certified.

Ms. Flores stated that Fifth-Third Bank may file first mortgage of $380,000 and the second of $97,000 for the construction of the additional space. The City would be in 2nd position behind the two loans. Mennemeyer then asked why there would be two. Ms. Flores stated this would be to keep the construction loan separate but the interest rate would be the same. She then stated that the bank has received the appraisal and that it has been approved internally.

Ald. Tendam stated he has similar concerns stated but would like to see the project progress out of the Committee. He then requested that the appraisal to come to the Council.

Ald. Rainey moved to recommend approval to City Council of a 72 month loan at a 4.75% interest rate for $100,000 to Nomad Dreams LLC, seconded by Ald. Tendam. Amortization, City in second position

The request was recommended for approval, 5-2.

VI. COMMUNICATIONS

A. FY 2012 Budget Status
B. Announcements/Updates from EDC Members
C. Real Estate Transfer Tax Report
D. Monthly Economic Development Communication

The Committee acknowledged each of the items under Communications.

VII. Adjournment

Ald. Burrus moved to adjourn the meeting, seconded by Mr. Zenkich.
The Committee voted 7-0 unanimously to adjourn the meeting.

The meeting was adjourned at 9:37 p.m.

Respectfully submitted,
Meagan Jones