ECONOMIC DEVELOPMENT COMMITTEE
MEETING NOTES
July 27, 2011

Attendees:


Committee Members Absent: M. Tendam

Other Staff: M. Lyons, N. Radzevich, J. Nyden, A. Brown, J. Hackman

Presiding Member: C. Burrus, Acting Chair

I. CALL TO ORDER
A quorum being present, Chair Burrus called the meeting to order at 7:00 p.m.

II. CONSIDERATION OF MEETING MINUTES OF JUNE 22, 2011

Member S. Freeman asked a correction be made to the minutes to clarify his position for the installation of the air conditioning unit at Hecky’s to state he agreed about extenuating circumstances but was not in favor of funding.

Ald. Grover moved approval of the June 22, 2011 minutes after alterations, seconded by Ald. Holmes.

The minutes of the June 22, 2011 meeting were approved unanimously, 9-0.

III. STAFF REPORT

A. Update on Recent Economic Development Activities: N. Radzevich provided an update on various Economic Development activities: She shared that it was the intention of the M/W/EBB Committee to attend the August meeting of the Economic Development Committee. It was also reported that Gordon Food Services (2424 Oakton Street) had submitted plans to obtain a building permit. Ms. Radzevich also reported that the demolition of 1708 and 1710 was moving forward.

B. Results of EDC Members Development Efforts and Recruitment: Alderman Burrus then asked members of the Economic Development Committee to report on their Economic Development activities. She reported that she, Alderman Braithwaite, and Alderman Rainey met with the owners of the Golden Corral Buffet regarding opening a franchise in the Dempster Dodge
Shopping Center. She also reported that she and J. Nyden met an unnamed restaurant owner at a Pizza/Brewery to discuss opening a restaurant in Evanston. Also, she reported that she encouraged a candle manufacturer to meet with Staff that is seeking a new location for manufacturing.

Alderman Rainey reported that she has continued to have discussions with the broker who handles the former CVS Pharmacy at Oakton and Asbury. She has also continued to have discussions with Polarity Ensemble Theater regarding the feasibility of locating a theatre at 727-729 Howard Street.

Alderman Fiske shared that she had spoken with a retailer who was going to leave Evanston and convinced them to stay. She also stated she spoke to a restaurant in Des Plaines about opening a restaurant in Evanston.

Alderman Burrus invited all to talk about how great it is to be here in Evanston and encourage all businesses to consider bringing their business here. She reminded us all this is a team effort is not just the Council, the Economic Development Committee, but all of us who will bring new business into the City of Evanston.

IV. OLD BUSINESSES

A. Amendment to Agreement with Ward Manufacturing

J. Nyden introduced Mr. Tom Ward and his wife Julie Ward, owners of Ward Manufacturing. Mr. Ward gave a report summarizing that last October Ward Manufacturing was awarded $700,000.00 for a rehab project of their manufacturing site located at 2222-2230 Main Street in Evanston. He reported that the rehabilitation of the former warehouse to manufacturing space, Phase 1, is complete and Phase 2 is in progress.

Mr. Ward stated that in Phase 1 they completely rehabbed the inside of the building with a new floor, a new roof, new insulation in everything, and new lighting. He reported that Ward Manufacturing purchased new equipment for some new projects as well.

He explained that Phase 2 will include removal of some of the 2222 building's facade. He stated the docks have been torn out and the bricks are being torn off the face of the building in an effort to complete the new docks which will add another 3,500 square feet to the facility.

Part of Phase 2 is to modify how close the building sits to Main Street to create a better turn around area for trucks so they would not block Main Street and/or drive into the Day Care Center. So far Ward Manufacturing has increased employee count by three (3) new positions and Mr. Ward extended personal
invitations to all to come by to see the results of all the hard work and what the City of Evanston has made possible by sponsoring this project.

Alderman Rainey recommended the contract be modified to state Phase 1 was to use $500,000.00, which is now completed and the remaining $200,000.00 be paid out 240 days into Phase 2. Alderman Rainey also suggested that Ward Manufacturing partner with the efforts for marketing materials targeting new businesses.

**Alderman Holmes moved to approve the amendment as suggested by Alderman Rainey and was seconded by Alderman Wynne. The motion was approved unanimously (9-0).**

**B. Evanston TIF Districts**

This item was a continuation of a discussion from the June 22, 2011 meeting. N. Radzevich kicked off the discussion with an overview of the five current TIF districts in Evanston. Ms. Radzevich stated for the past few months staff has been working on a global review of all Tax Increment Financing (TIF) Districts in Evanston. The review included a review of financial commitments, remaining life of the TIF, and other pertinent information on districts. Each of the 5 TIFs was analyzed with a base line scenario which included the types of expenditures that were actually approved by City Council. The analysis also looked at how much new taxable revenue would be created in the event of new development. Out of this analysis came some tools in the form of spreadsheets that can show “what if” scenarios for proposed or suggested changes such as time frames for projects or additional projects.

Ms. Radzevich noted that the Southwest TIF right now will close at the end of tax year 2014. She noted that if this TIF is closed at the end of FY12, some cash could be distributed back to the taxing bodies. The analysis also shows the increase in the property taxes in the Southwest TIF area once the TIF has been closed. Ms. Radzevich stated there is one caveat in there was a sewer project planned to be funded from this TIF in FY13 and that project would have to find other funding. Alderman Rainey stated the sewer project would be funded by the water customers and that doesn’t sit well with her at all. Alderman Rainey stated that the reason for TIFs is so infrastructure projects could be funded to support the neighborhoods and is against the early closing of this TIF. She feels strongly that the $580,000.00 for the sewer project should be paid before closing the TIF. There was a similar analysis performed on the Howard/Hartrey TIF regarding closing the TIF early. Each TIF was analyzed showing what would be distributed back to the taxing entities if closed early and the impact on the property taxes if the TIF was closed early. N. Radzevich stated this analysis included the possibility of new TIF districts and was gathering information to be used while gearing up for the next phase.
M Lyons spoke to the committee and explained that under Illinois law we can have TIFs covering the entire area of Evanston if so needed. However, as you freeze the assessed value of the properties in a TIF the rates of the properties in the non-TIF areas will tend to go up because of the way tax caps work. He gave the example of the school districts needing a certain allocation of tax dollars to operate and the expenses will be spread over TIF and non-TIF areas. He gave an example of the Downtown TIF and the fact it was successful makes it ineligible to have a TIF district again. Mr. Lyons stated that the way of balancing is to look existing TIF’s to see if there would be a benefit from a TIF closing and then opening up a new area as a TIF district to evenly balance out the districts. He noted that certain areas of Evanston have been targeted for new business development and that is where they wanted to focus. Mr. Lyons was asked if taxes go up on a property when a TIF closes. He stated it does not. He did state that the school district will see increased funding up to the cap set by Illinois law.

Alderman Holmes asked Mr. Lyons for clarification on the sewer project previously mentioned. Mr. Lyons stated the project is for the restoration of very old crumbling sewers that could not be cured “in place” and would need sewer rebuilds, thus the larger dollar amount. Mr. Lyons also stated there is a timing issue in the notification of the intent to close a TIF that must be given by September 30th. He stated there are regulations stating every given year a notice must be given to the taxing bodies of any TIF the City intends to close.

Alderman Rainey stated she appreciated the report but strongly objects to the early closing of the Howard Hartley TIF as she has proposed several projects for improvements to the neighborhood and wants the opportunity to discuss funding before closing the TIF. D Mennemeyer supported Alderman Rainey stating if there are projects that still need to be done he felt they should be considered before closing the TIF. Alderman Grover stated she wanted to hear from the School Districts regarding the use of the money to determine if more should be spent on sewers and where it fits into the Capital Improvement Program.

Mr. William Stafford from ETHS, School District 65 was introduced and stated he considered economic development a partnership with the City of Evanston. Mr. Stafford wanted to report on the success of TIFs for the Evanston School Districts. Mr. Stafford stated that when the Downtown II TIF closed down in 2002, District 65 received two million dollars in additional revenue, and the money played a critical role in financing the needs of educating our youth. He further stated that there will be a deficit in 2013 and is encouraging the Committee to close the proposed TIFs in FY12. He stated the school district has lain off people and made millions of dollars in reduction in these critical times. He stated it is a balancing act and the cost of not closing the TIF is measured in opportunity costs to the educational system. Kathy Zalewski from District 65 spoke from the floor and added her agreement to Mr. Stafford's remarks.
Mr. Lyons again emphasized that there are deadlines for notifications for closing TIFs. He stated the City would have to work with the County to go through the process.

Alderman Wynne inquired if there is a deadline to close a TIF and if there had been a cash flow analysis. Mr. Lyons stated there are deadlines but they are flexible through inter-governmental agreements.

Alderman Rainey emphasized she is against the early closing of the TIF before all infrastructure projects are identified and finished as she does not want to see the burden of the expense shifted to the taxpayers. She noted this is a non-deductible expense to the property owners and does not feel it is fair. Aldermen Fiske agreed with Alderman Rainey. Alderman Holmes stated she also does not want to see the burden put on the taxpayers, but requested clarification on the infrastructure projects that have been proposed.

C. Amendment to 2010 Merchant Grant for Dempster-Dodge
Ms. Radzevich introduced the discussion by stating that there was no memorandum or back up documents in packet, as the original grant approval was done without an application. She explained that the Council approved a $9,000.00 grant to Dempster-Dodge to cover marketing efforts, street beautification, signage and holiday decorations by the group along Dempster and Dodge. In the fall of last year, the merchant group extended an invitation to include the Florence and Crain Merchants and the combined groups renamed themselves West Village. The combined group of West Village is requesting an Amendment for the grant to Dempster-Dodge Merchant Group be formally changed to the West Village business district. Ms. Radzevich stated that about $3,000.00 had already been spent, and the remaining $6,000.00 may cover banners, marketing materials and similar type expenditures for the newly formed West Village.

Alderman Burrus stated that in the future there should be no more consideration of for agenda items unless they are included in the agenda and information is provided in packets for consideration.

Ms. Cindy Jevon from the West Village Merchant Group spoke from the floor stating she was a Gallery owner and a member and representative of the West Village group. Ms. Radzevich stated that the newly formed West Village Merchant Group is in the process of electing their leaders and working with the City of Evanston to formalize all requests and reports to start moving forward.

Alderman Rainey suggested there should be training for the leaders of this new group to ensure their success.
Alderman Rainey moved to approve the Amendment changes to the West Village; the motion was seconded by Alderman Holmes. The amendment was approved 8-1 with Alderman Fiske casting the dissenting vote.

D. Discuss and Consider Revisions to Oceanique Façade Improvement Grant
A. Brown, Staff Member, gave the presentation for revisions to the scope of work for the façade improvement to Oceanique. The grant was approved in December 2010 by City Council for the restoration of tiles on the front of the building, replacing the door front, signage, a new bronze plaque, and replacement of one of the storefront windows. Oceanique has completed this project and has submitted all required documentation. Staff learned that the window and front door had not been replaced. The original approval was for a 50/50 match, not to exceed $10,000.00. Mr. Brown passed around photographs of the results of the restoration of Oceanique.

Alderman Wynne moved to approve the revisions, the motion was seconded by Seth Freeman.

Revision to the Grant for Revisions to Oceanique Façade Improvement was passed unanimously 9-0.

V. NEW BUSINESS
A. Financial Assistance for Chicago’s North Shore Convention & Visitors Bureau
Staff member A. Brown introduced Gina Speckman from the North Shore Convention & Visitor’s Bureau. A. Brown stated that the State of Illinois certifies the CNSCVB and would defer all questions to Ms. Speckman. A. Brown stated that the Bureau currently represents Evanston, Skokie, Northbrook, Glenview and Winnetka. It was stated that the goal for the Bureau was an increase in services of 5% in 2012.

Many merchants from Evanston participating in the CNSCVB were in attendance and quickly introduced themselves to the Committee. Most were representatives of Hotels and Restaurants located in Evanston.

Ms. Speckman stated there was a new procedure in place and much of the detail she had given the Committee over the past seven years is now included in the new application and would not be covered in the meeting.

Ms. Speckman stated they are the State Certified Marketing Association for the North Shore and have a staff of five people. They primarily represent Hotels, Restaurants, Retailers and Attractions. In this way they differ from a Chamber.

They will also assist in bringing in large meetings to bring in incremental business to the hotels, restaurants and retailers and as such works closely with
Northwestern and other large groups thus increasing visitors from other areas of the country or state. This increases revenue for everyone and the goal is to increase CNSCVB services next year by 5 percent.

Ms. Speckman stated they direct their efforts towards direct sales efforts, trade shows, calling on clients directly, producing printed marketing collateral and being very active in the social media such as Facebook and twitter.

Some projects have been the First Backstage of Evanston as well as a consistent buy in the Northwestern Alumni Magazine, the Sidewalk Sales, Farmers Markets, and a lot of business development for local businesses. Ms. Speckman stated they often assist businesses considering Evanston as a location with data regarding the demographics they need to make a decision.

Ms. Speckman stated that most of the other cities have three year agreements with the CNSCVB and do not consider the funding on an annual basis. She was asked if other Cities went through a similar process in deciding and was told that it is very similar. Ms. Speckman stated in doing business with other cities she would go in front of a committee similar to the Economic Development Committee who would sponsor the funding to the Council or the Board for a vote. It was stated that in most communities they raise the hotel tax to fund the CNSCVB rather than pay out of General Funds.

D Mennemeyer stated that over the years he has seen the hotel and restaurant owners as the drivers and he recommends the CNSCVB because they are organized and have the facility to administer the marketing efforts. He stated he knew the hotel managers in Evanston back this heavily and he feels they are very shrewd business people. He wished everyone who came before the board was as prepared with documentation as the CNSCVB is with all the marketing materials, the matrices presented in the application, and being prepared to answer questions.

Alderman Burrus asked how much other communities contribute to the CNSCVB. Ms. Speckman stated Skokie pays $120,000.00 annually.

One of the CNSCVB members stated from the floor that he has seen an increase in room reservations from the efforts of the Bureau. He also stated they were able to advertise in the Tribune for a small amount which he feels he would not have been able to do otherwise.

Alderman Fiske stated she would like to discuss larger events with small local businesses such as Vogue Fabric who is a party to a marketing group which brings in buses of people to shop at fabric stores. She would like for this to be representative of all the retailers in Evanston. Ms. Speckman stated Vogue Fabrics is a member of a tour group which is based on the North Shore that
sponsors the shopping trips to the store and the tour group has a lock on that business.

Raymond Zenkich asked if the North Shore Visitors Bureau was involved in the downtown bike race and asked if it was a success. Ms. Speckman responded by saying that the CNSCVB did provide some of the print collateral that was distributed on the trains. Mr. Zenkich remarked that he felt the attendance was down from prior years.

D. Mennemeyer stated he had spoken to a local bicycle shop owner and was told this year the sponsorship was down, however, the merchants did feel this year was a success.

Alderman Fiske stated she would like to have a discussion regarding the events held in downtown Evanston and the impact it has on smaller retailers who were not located downtown. She felt they took a hit as most of the foot traffic was in the downtown area. She felt there was a real value to larger events, but felt it could be more balanced.

**Alderman Grover moved to approve $65,564.00 for a twelve month period to the North Shore Convention Visitors Bureau, the motion was seconded by Alderman Holmes. The Committee voted in favor 9-0**

B. **Consideration of Financial Assistance for 1817 Church Street**

N. Radzевич gave an overview of the history of this property and of the meetings held between her, Mr. John Leineweber representing the 1817 Church Street property and Ms. Sarah Flax, the CDBG Grant Administrator for the City of Evanston. Ms. Radzевич stated that 1817 Church Street has been owned by the City of Evanston for over 15 years and has gone through many different uses.

On April 26, John Leineweber and his colleagues from the Evanston North Shore Contractors Cooperative (ENSCC) presented a proposal to the Housing and Development Committee to restore the building as an incubator for small businesses of the trades. Part of the project included a rehab of the building and putting a second floor addition. The concept is to have the contractors on the second and third floors with the ground floor used as leased offices to home related small businesses and shared conference rooms and showrooms. It was proposed that some of the space be used as workshops for training others for the trades.

Ms. Flax has spent a lot of time going back and forth to HUD as HUD funds had been used previously on this building and they had a stake in the building. There are certain restrictions from HUD such as the owners would have to keep the use of the building as is for at least five years after the ownership had been
transferred to them and what types of jobs they could count toward meeting the HUD goals.

The Economic Development Division along with the Evanston North Shore Contractors is looking for assistance on a construction loan to start the process. Every contractor involved in the Evanston North Shore Contractor Group is putting up $10,000.00 each of their own money as well as sweat equity to rehab the building. They are requesting a construction loan of up to $200,000.00 from the West Evanston TIF Fund until the building has been totally rehabbed. At that point they will apply for a mortgage from a bank, and the loan will be repaid.

There has been a proposal to get a current appraisal on the building to see if HUD might be paid back which would lift some of the restrictions on the building and the use of the building. At the same time, Economic Development Division is trying to get occupancy for this building before winter as it has stood vacant for a long period of time.

The request is for a $200,000.00 construction loan to be paid back one year after the rehab and additions have been finished. The year is to give them time to become operational and then secure a mortgage and repay the City.

**Alderman Rainey made a motion to accept the recommendation of the $200,000.00 construction loan. Several people seconded the motion**

Alderman Rainey stated she has tried to restore this building to the community for about 15 years. She stated the City has put out proposals over the years and has not gotten responses. She feels this is the first legitimate response for taking over this building and is very pleased it is from contractors who will make this building whole.

She stated HUD does not consider construction jobs as “jobs”. Because of this, she feels that it is not worth the effort to pursue HUD in the funding of this project as it is all about creating jobs within the trades. Alderman Rainey likened this project to the Technology Incubator for white collar jobs, only this is for blue collar jobs. She also stated that all HUD requires of the City is to replenish our funds, so the money will be staying in Evanston in our own CDBG fund. She also fears this building of going through another winter in the condition it is in currently.

Each of the members of the Evanston North Shore Contractors stood up and stated their name, company, and the trade they represented.

N. Radzevich stated that there is a tight timeframe, and they are going ahead with an appraisal from their preferred vendor in an effort to do a presentation in front of AP&W and the City Council at the September 14th, 2011 meeting. As soon as the project starts moving forward, the money from HUD can be put back
into the CDBG fund and reallocated back into the community for other rehab
projects.

Alderman Fiske stated she was excited about restoring this building and noted it
will have to go in front of the Preservation Committee during the building permit
process.

Both R. Zenkich and S. Freeman asked what would be the worst case scenario.
N. Radzevich responded that the City will be utilizing our Legal Department to
draw up the contract covering what happens if the North Shore Contractors go
out of business and how best to protect the City. It was stated because of the
current situation, we need to go by the HUD rules until we can change HUD
participation in this property. So the conditions in the last memo has language
spelling out how the property would be transferred back in the case they did go
out of business or do not meet certain performance measures.

The goal is to support the effort in the self-creation of more jobs and trained
tradesmen in the City. Several different scenarios for terms of the financing are
being considered to meet the goal of job creation while at the same time
protecting the City from a loss.

Alderman Holmes also expressed support of this project and also questioned
how the financing will be done. She asked for further explanation and was told
that during the first two years during the time of the construction loan, the City
would maintain ownership of the property. During those first two years the North
Shore Contractors would be investing their own money and their skills in the
form of sweat equity to bring about the restoration and expansion of the building
and becoming operational. After the two years have lapsed and a mortgage has
been put into place, the five year restrictions on usage may still apply along with
terms such as taxes must be kept current and the property meet the standards
set by the City of Evanston for all properties.

To summarize, N. Radzevich stated there had been some confusion of the
proposal but wanted to make clear that what the North Shore Contractors were
proposing was a two year construction loan of $200,000.00 to allow them to use
the first year for rehab and expansion of the building, and the second year for
going up and operational. After the two year time period, they would secure a
conventional mortgage from a bank and repay the City of Evanston in whole and
assume ownership.

She also stated that Staff is proposing to give the group an extra six months to
become operational and if at that time they could not secure a mortgage, the
City could allow payments be made to the City as if they had a mortgage for an
extra five years. The group would then pay back the entire balance after
obtaining a regular mortgage. It was stated that in the current state of the
economy, obtaining a mortgage in two years may be challenging.
S. Freeman asked if this is an incubator for only the 13 businesses in the project or would they be bringing in new business and start-ups. John Leineweber of the North Shore Contractors answered by stating that the incubator floor will have fourteen offices and not all of the thirteen participants will have an office in the building. On the first floor where there will be ancillary businesses like insurance agents or small real estate law firms, there will be cubicle space that can be rented at a price point of about $100.00 a month and still share the office equipment and conference rooms. As the first floor renters become more successful, they can move up to the upper floors which will rent for up to $300.00 a month. It is being designed as stepping stones for a business to be able to get established and grow. He stated all business will be Evanston based.

Alderman Grover asked if the North Shore Contractors had looked for another place if Church had not been available. Mr. Leineweber stated that the building was a good match as it needed much work and who else but contractors would be willing and able to bring a building back to its former self. Alderman Grover asked if Staff was asking for the approval of the loan yet tonight or just the okay for the proposal.

N. Radzevich stated Staff wants a recommendation to the Committee for the loan to be presented to City Council. She stated that right now this project needs to get moving as it is currently moving along dual tracks. Alderman Grover stated it seems early and there is not enough information.

John Leineweber stated that the original intent of the North Shore Contractors was to not owe the City anything as soon as possible. Each of the thirteen members are putting up $10,000.00 of their own money for a total of $130,000.00 which represents over 40 percent of the construction costs, which is currently budgeted for $330,000.00. He stated details were in the Committee member’s packets. He stated that a group of contractors wanting to buy this particular building in its current shape would not be feasible. He did not believe the loan would go through. So they were approaching the City to partner with them to bring this building back to a productive piece of property.

D. Mennemeyer stated he liked the project and the plan. He had a question about the legal status of the ENSCC; He asked about the legal structure as it uses the term cooperative. J. Leineweber stated that the organization would be formed as a not-for-profit and the real estate would go into an LLC which is not yet formed. Currently they are a group loosely organized but will be moving into a formal LLC as all members are equal and out of the membership elect a Board for setting direction.
Alderman Fiske stated she was also going to ask about the LLC and was glad for the fluidity the LLC allows for members to come and go with buy and sell agreements.

Alderman Rainey stated that the CDBC Committee had a motion that this project go forth without HUD involvement and go forward with a TIF loan with the provision it goes before the Legal and Finance Department to come forward to move forward to City Council.

Because the weather forecast was for a bad storm which was heading for Evanston, the meeting was called to an early close.

The motion to bring the recommendation of the loan along with terms and condition to City Council was passed unanimously 9-0

A second motion was put forth by Alderman Burrus to push the items left on the agenda to the next meeting.

The motion was seconded and passed unanimously 9-0.

The next meeting will be held on Wednesday, August 24, 2011.

Respectfully submitted,

Jan Hackman