

**Planning & Development Committee
Meeting Minutes of August 10, 2009
Council Chambers 7:00 p.m. – 8:20 p.m.
Lorraine H. Morton Civic Center**

Aldermen Present: D. Holmes, L. Jean-Baptiste, R. Rainey, D. Wilson, M. Wynne, J. Fiske

Staff Present: D. Argumedo, W. Bobkiewicz, J. Chambers, K. Cox, S. Flax, S. Guderley, D. Marino, B. Newman, D. Spicuzza, E. Thomas

Presiding Official: Alderman Wynne

DECLARATION OF QUORUM

Chair Wynne called the meeting to order at 7:03 p.m., a quorum being present.

APPROVAL OF JULY 13, 2009 MEETING MINUTES

Ald. Jean-Baptiste moved approval of the minutes. Ald. Rainey seconded the motion.

The Committee voted unanimously 5-0 to approve the July 27, 2009 P&D Committee meeting minutes.

ITEMS FOR CONSIDERATION

(P1) Authorization of an Application to Cook County, Illinois for Neighborhood Stabilization Program 1 (NSP1) Funds

Mr. Marino explained that two NSP proposals have previously been submitted in the amounts of \$3 million for NSP1 (a few months ago), and \$40 million for NSP2 (to HUD) and that this application for \$4 million is for the Cook County NSP1 fund and is due August 14th, 2009.

Ald. Holmes asked whether this application would affect other applications that come from other organizations in our community, to which Ms. Guderley, Interim Director for Planning, replied that Citizens' Lighthouse is applying as well, for which there is no prohibition.

Ald. Rainey asked whether the City has a plan, to which Ms. Guderley replied that the City proposes to follow in the footsteps of what was proposed to the State's program, which focuses on target populations and people with disabilities. She said the County's program focuses, in addition to the regular activities such as acquisition and rehab of affordable ownership and rental housing, on the eligible activity of a green

redevelopment component, so they are including approximately \$154,000 earmarked for making additional green improvements when the rehab is done.

Mr. Marino added that the County program includes a slightly larger area that is eligible which includes a relatively small part of Ald. Wilson's ward.

Ald. Holmes moved approval of the NSP1 application submission. Ald. Rainey seconded the motion.

The Committee voted unanimously to recommend approval of the NSP1 application.

(P2) Ordinance 74-O-09 Granting a Special Use for a Type 2 Restaurant ("Ultimate Chicken Bar") at 1739 Sherman Avenue

Ald. Rainey moved approval of the special use. Ald. Holmes seconded the motion.

Ald. Fiske said the storefront has been redesigned and that it was formerly a bookstore and is a fairly large retail store. She said there is concern about adding another Type 2 restaurant in that block which currently has Type 2 restaurants, a nice upscale wine store, a cellular telephone store and a nail salon. She said a former alderman suggested to her that a plan for Sherman Avenue may exist, though, she said, staff has not been able to find the plan and she is not sure it existed. She said they will continue to look for it, but the question is, down the road, what types of businesses the City wants to encourage, especially in that particular block and what the City can do to attract those types of businesses. She said she is in support of this particular use but she would like the Council to address some kind of planning down the road.

Mr. Brandon Sartor, 1720 Maple, business owner of the Ultimate Chicken Bar, confirmed that there would be no frying of chicken and that the chicken would all be grilled. He said the restaurant will serve Japanese style teriyaki chicken, rice, pasta, salad and steamed vegetables, and that it will be mostly carry-out.

The Committee voted unanimously to recommend approval of the special use.

Chair Wynne reminded Mr. Sartor of the City's litter plan, adding that the City feels very strongly about it.

(P3) Ordinance 70-O-09 Granting Major Variations to Allow Reduction of Parking Aisle Width for an Existing 14 Car Parking Lot at 2150 Sherman Avenue in the R5 General Residential Zoning District

Ald. Rainey moved approval. Ald. Holmes seconded the motion.

Mr. Thomas Triggs of 2150 Sherman referred to a letter he submitted to the Committee and he offered to answer any questions they may have. Mr. Triggs explained that the proposed space allocated with this variance request will not accommodate the garbage containers and people.

Mr. Marino explained Mr. Triggs' concern that shrinking the aisle for cars to traverse the parking lot will eliminate too much of the drive aisle. He said the representative for the management company has stated that they have considered that and that staff can firmly verify this by the next City Council meeting if the Council wishes.

Mr. Triggs explained that there is a 51" space allocated in the drawing, the garbage dumpster is 41" deep, the posts are at least 2", which is 45" and the current posts are 4" from the property line, so he is concerned that the sanitary workers will have to move a container out into the alley with only 1" on each side. He said the drawings show an automobile right up to the posts, so he is also concerned with how a person will get to the dumpsters or the containers. And he said the walkway does not benefit anyone and it is shrinking the aisle for 8 units, where it only has to be shrunk for 3.

Mr. Harry Nathanson of Kagan Management, 3856 Oakton, Skokie, said they have measured out the proposed arrangement. He explained that the problem arose because when the building was built in 1965, the garbage chutes were in the basement of the building, which forced the janitor to carry the garbage up a flight of stairs. Since then the City has adopted recycling and people do not attend to the chutes so they have been closed and the garbage cans had been kept against the building in a parking space that was not being used. That is no longer possible, leaving no place to put the garbage cans on the property unless they go underneath the bedroom windows of the ground floor units in the rear of the building, which is not good for anyone, so they are proposing their last resort. He explained that since they lost the parking space they had been using on their own property, they have been forced to put the cans on a parking space on the property of the neighboring building, for which they pay \$150 a month (currently on a month-to-month basis), so they want to move them back on their own property.

Mr. Nathanson said they have done a study and they have consulted with an architect at the site, who told them moving only a few cars as originally considered, would cause too much confusion and some cars would stick out further than others, and it would be difficult to get cars and snow plows in and out of the parking lot. The posts and the cans were measured and the garbage cans can be swung out by the sanitary collectors into the alley. The posts that are currently there will be replaced and reset in the proper places, so that should not be an issue. He said there will be a post put in place to protect the cars from the can lids flipping over. He said the aisle has been measured and even the largest car should have enough room to turn around, back out and pull in. He said it can be studied further, but he believes from their drawings and their study, feasibility of the plan has been established.

Regarding the sidewalk, Mr. Nathanson said the issue was brought up by the City. He said the sidewalk that was proposed does not lead anywhere, so whether the sidewalk is put in or not is not an issue for them. It is not something that they want to do now or even in the past, because to get to the garbage cans, you have to walk across the parking lot into the alley, around the cars, and into the lot next door. There is no other way to get over there from the sidewalk.

Mr. Marino said he believes it was the Site Plan and Appearance Review Committee that

discussed the sidewalk. He said that too can be looked at before the next City Council meeting. He said staff's recommendation and the recommendation of the Traffic Engineering Division is that this issue is recommended for introduction this night and during the 4 week interim period between Council meetings, Mr. Nathanson has agreed to the conducting of a template turning study to make certain that there is sufficient space for all the vehicles to back up and get out through that aisle comfortably.

Mr. Nathanson said that there are 14 units in the building and they have one dumpster and two recycling cans. He said the condo association has met and discussed the matter several times over several months and they agree that this is the solution.

Chair Wynne suggested following staff's recommendation and having a discussion about whether the sidewalk is needed. Mr. Nathanson said they could make the pad longer without the sidewalk and that you cannot get to the sidewalk without cutting across the parking lot so it doesn't really serve a purpose.

The Committee voted unanimously 5-0 to introduce the item in Council and refer it back to Committee until the September 14th, meeting, after it has been reviewed by staff.

(P4) Consideration of Approval for a Sidewalk Café for Type 1 Restaurant, Las Palmas

Ald. Fiske said this is a contentious issue and asked that it is held in Committee because as it stands now, she cannot support it. She said she has some creative ideas that might help Las Palmas configure their space to achieve their goal, which is to give the appearance of an outdoor dining area. She said she would like to work with City staff and the Economic Development staff to see if there is any façade money available for them. She said she does want to encourage businesses and keep our good neighbors in Evanston, but this particular application would be putting 4 tables of outdoor seating within 10' of residents' living room, dining room, kitchen and bedroom windows and would obviously be a nuisance to the people in Sherman Gardens. She asked again that they hold it in Committee until the next meeting so she can meet with the applicant and the neighbors.

Ald. Rainey moved approval of the sidewalk café. Ald. Wilson seconded the motion.

Ald. Rainey said delaying it is tantamount to denying it because the next meeting is so late in the month of September that there won't be any point to having an outdoor café. She said she had thought there was discussion earlier about a way to reduce the number of tables or move the tables and she would like to discuss it.

Ald. Jean-Baptiste amended the motion to the proposal by reducing the number of tables to 3 by removing the table closest to the neighbor's window and that instead of allowing it to be open until 9:00 during the week, close it at 8:00 pm. And on weekends close at 9:00 pm.

Ald. Jean-Baptiste said while there may be some creative approaches in the future, offering this concession in the short term might allow him to operate. He said our staff

has observed the fact that the traffic noise is such that it drowns out the conversation at the tables, but the later it is open, as traffic dies down, the more loudly the conversations can be heard. He added that this compromise would allow the sidewalk café to only operate for the next month or so depending on when the fall comes and next year Ald. Fiske's proposals could be considered.

Ald. Rainey seconded Ald. Jean-Baptiste's amended proposal.

Ald. Wilson asked whether granting it this year automatically means it is granted next year. Mr. Marino clarified that according to the rules, a permission to operate a sidewalk café must obtain Council approval in the first year. If there aren't any severe complaints or problems, it can be approved at staff level thereafter, but you can also put a condition in the application.

Ald. Wilson said he looked at the space and he had similar concerns to Ald. Fiske's. He said it is likely to be an issue for the people who live adjacent to it even with one of the tables removed and that it seems that people out there will probably have to talk louder to be heard over the traffic. He said he also received some phone calls from residents from the area reaching out to him to discuss it.

Ald. Holmes said she looked at the location also but she believes that removing one table and going as far west as possible as well as reducing the hours is a good compromise for to see how it will work out on a trial basis. She said she has learned from working with the neighbors to the north and west that northwestern students use that route to come up Simpson, so there is always a noise level on the street that should be taken into consideration.

Mr. Placido Quintero, the manager of Las Palmas, 817 University Place, said he applied for a sidewalk café because their business is going down every summer when they do not have the students. He said they cut two employees, and many of their employees live in Evanston (and Chicago), whose families they support. He said he has noticed that all of the restaurants that have outdoor seating are always busy and that he said he could move 3 or 4 outdoor tables 5 times a day. He said he is trying to get more business to give more hours to the employees because the economy is bad right now. He asked why Lou Malnati's is allowed to have a sidewalk café but he applied 3 years ago and could not get a permit. He said he receives many calls each week from people asking if they have outside seating and if he had at least 3 or 4 tables, he believes he could make a couple hundred dollars a day. He presented the income report from lunch. He has 5 employees at lunchtime. He made \$200.00. He had to pay \$400.00 so he is losing \$200.00 on the employees.

Ald. Wilson asked what percentage of his business is lunch versus dinner, to which Mr. Quintero replied that dinner is a little bigger percentage, but he does not want to close for lunch because he has families who depend on their jobs at lunch. Ald. Wilson was wondering if they had the café at lunch instead of dinner time whether it would be helpful. He said it will help him more at dinner time because people come after work and have at least one or two drinks. If they come on their lunch hour, they are in a hurry. They only sit for approximately half an hour.

Ms. Jane Driscoll of 1860 Sherman, Sherman Garden Apartments, said she is representing people from her building. She presented an aerial view of Sherman Gardens, which consists of 5 buildings surrounding a central courtyard, showing where Las Palmas wishes to put their patio. She said Lou Malnati's is a rectangular building with a parking area and a kitchen which separates 1860 Sherman from the Lou Malnati's seating area. She said the Las Palmas configuration is completely different because the Las Palmas patio is adjacent to their building. She presented a photo of Las Palmas with the area paved for seating. She said the windows at the southwest corner of 1860 Sherman are 8' from the patio. She said there is a stop sign in the middle of the patio which she supposes would have to be moved. She said the 4 proposed tables are shown on her diagram but there is only so much farther west you can get. She said the Sherman Gardens residents are concerned with safety, noise and property values. She said in the day time they have people who work at home and they would be right next to the people having a good time at the nice restaurant talking and laughing and you can hardly expect them to lower their voices like a library. She presented the City's standards used to evaluate sidewalk café permits and called the Committee's attention to the issue of a minimum of 6' to various obstructions, saying the edge of this patio is right on the street. She said more significantly are the items stating that "this will not have a substantial adverse impact on the use, enjoyment or property values of adjoining properties." She said she has a list of 8 realtors who agree that this could have a negative impact on their property values. Ms. Driscoll said she represents the people of Sherman Gardens who have signed a petition opposing the sidewalk café at Las Palmas showing that of 1860 Sherman, the building most closely affected, more than 2/3 of the residents are opposed and that they have also gathered support from the other 5 buildings in the complex. She said she feels that this outdoor café is a mistake for the residents of Sherman Gardens and the surrounding neighbors including those at 800 Elgin and for Las Palmas because it is too close to the 1860 Sherman building and too close to the street and it is just not a good location. She said possibly there is some other solution that Ald. Fiske has talked about but this particular location for this particular patio, even with limited hours, even with only 3 tables, she believes, can have a very negative impact on those who live in the neighborhood. She thanked the Committee. Chair Wynne thanked her.

Mr. Charles Young of 7411 N. Dewey, Chicago, said he was there to tell the community that he patronizes Las Palmas on a regular basis. He said he spends quite a bit of money every month and he chooses to go there because of the food and the environment. In addition to that, he refers many friends and colleagues to Las Palmas on a regular basis and having the ability to enjoy a meal in an outdoor setting would allow him to refer additional people to that restaurant. He said he is stating that he approves finding a solution for a sidewalk café that would bring additional revenues to the Evanston area. Chair Wynne thanked him.

Mr. Bob Bauer, a member of the Condo Association Board of 800 Elgin, across the street from Las Palmas, said the association took a survey the results of which were that 23% favored the sidewalk café, 77% either were opposed or indicated that restrictions apply. He said the Board's position is that they oppose the sidewalk café because they feel it will affect their property values on the north side of the building. It is approximately 125' from the outdoor café and they cannot sit out on their balconies if there is café noise,

which he expects to be normal conversation, which he would not expect people to refrain from. He said he enjoys eating there. He said there was a lot of noise from the 1800 Restaurant and everyone is happy that it is gone. They are pleased with the restrictions such as moving the tables in after closing, no trash left outside, no parties or music allowed and the closing hours, which Ald. Jean-Baptiste had proposed be at 8:00. He said he assumed he meant 7 days a week. Ald. Jean-Baptiste clarified that he meant 8:00 during the week and 9:00 on the weekends. Mr. Bauer said that is an improvement from the 1800 Restaurant. He said the 1800 Restaurant was a bad experience for people in the 800 Elgin building. Mr. Bauer asked, regarding the physical permit, whether the restrictions would apply if the management changed. Chair Wynne clarified that the restrictions would be stated in the special use permit so they would apply. Mr. Marino said staff would also have a record and as part of the City's enforcement of appropriate action of sidewalk cafés, would look at it each year. Mr. Bauer said they would be monitoring the issue of closing time, noise and other such things and will be very much back in front of the Committee next year if there are violations. Mr. Bauer thanked the Committee.

Ald. Rainey said she understands that people like their peace and quiet but in the summer there are the sounds of the summer and one of the good sounds of the summer is the sound of people entertaining themselves and enjoying the restaurants that we have in our community. She said there might be nurses in that building that work the midnight shift that do not want to be disturbed at 8:00 at night by people having a drink, but that this is three tables and she is concerned that we are getting too rigid. She said she would like to know how many other outdoor cafés the City has denied. She said she feels that given the hours of 8:00 on weeknights and the reduction to 3 tables, and 9:00 on the weekend for 3 tables, no music, that the tables are removed, liquor stops being served before the end of service, etc., she is having a problem with the extent of the opposition to this and she is thinking there has to be something else going on, because it cannot be about 3 tables. She said when the children who live next door to her are playing outside at 8 o'clock at night, she is sure there is more noise from those children, and she said frankly, she does not understand adults not being able to tolerate dining at 8:00 at night. She said there has been a restaurant there for many, many years as well as where Malnati's is and she used to go to the restaurant where Las Palmas is when she was in high school and it was loud and noisy then and Sherman Gardens was there then. So, she said she would support the sidewalk café with 3 tables.

Ald. Wilson asked Mr. Quintero if he would be able to operate profitably with the additional restrictions proposed, to which Mr. Quintero replied that his license is through midnight Monday through Thursday and through 2:00 a.m. on the weekends, but in order to be considerate of his neighbors who complain about the noise the kitchen fan makes, he closes at 9:30 – 10:00 Monday through Thursday inside, so he is already losing money in trying to work with them. Ald. Wilson asked him whether going to 3 tables from 4 was okay with him, to which he replied that it is. Ald. Wilson asked him whether closing at 8:00 during the week and 9:00 on the weekends was okay with him. He asked for closing hours of 9:00 Sunday to Thursday and 9:30 on the weekends because he cannot stop serving at 9:00 on the weekends. Ald. Wilson said he wants to be sure that an amendment will be passed, so Mr. Quintero suggested 8:00 during the week and 9:30 on the weekends.

Ald. Jean-Baptiste agreed to a friendly amendment to change the 3 outdoor tables to close at 9:30 pm on the weekends and 8:00 on the weekdays.

Ald. Wilson added that there should be a provision to revisit the special use in the spring.

Mr. Quintero asked why he has regulations and he is on the same block as Lou Malnati's who closes late. He said he would agree with the regulations. Ald. Wilson suggested to him that he could run it through the summer and it could work out great and there could be no complaints, which could put them in a different position in the spring. He added that he loves outdoor dining.

Ald. Rainey assured Mr. Quintero that this is very temporary, that it is just for this summer and that hopefully staff and Ald. Fiske will work with him between now and next year to come up with a better solution.

Ald. Holmes said the café will be open at the most two and a half months depending on the weather and that staff will be monitoring as will the neighbors and it can be revisited. It could turn out that it is wonderful and no one will complain. She said she would support it.

Chair Wynne said she shared Ald. Wilson's concern initially about the proximity to a residential unit but she believes with the proposed provisions, particularly the sunset provision that it will be revisited, and given the fact that Ald. Fiske is presenting some very good ideas for an alternative solution, she can support it also.

The Committee voted unanimously 5-0, to recommend approval of the amended motion for the sidewalk café for Las Palmas restaurant.

Mr. Quintero said he will close at 8:00 and tell the customers that there is no more service, but he asked that they have a half an hour to sit and finish their meals. Mr. Marino said it depends on the intent of the motion that was made. Normally staff would expect that the tables would be vacated at the hour indicated, but he can understand the situation if you have people eating there that haven't quite finished their meal. But usually the way we deal with that is, closing would be the time that service stops. Ald. Jean-Baptiste said the intent is to stop serving at 8:00. If I am sitting there and eating and you tell me to move at 8:00, I'm going to be upset. So the intent is to stop serving and seating people at 8:00 during the week, and 9:30 on the weekends. Mr. Marino clarified that you would not want to seat someone at 5 minutes till 8:00. Ald. Rainey clarified that if they cannot be served by 8:00 then they cannot be seated at the sidewalk café.

A member of the audience who lives at 800 Elgin asked whether customers would be able to linger after 8:00, to which Mr. Marino replied that it would be reasonable to expect the customers to linger for a while, but not for 2 hours. Ald. Jean-Baptiste asked the audience member what problem it would cause for him if he were to sit at the café until 8:30 after he had eaten there. The audience member replied that it would depend on how many people are there, how loud the conversation is, etc. Ald. Jean-Baptiste said he believes Ald. Rainey was trying to communicate a question of reasonableness and he

agrees. He said the Committee is trying to reach a compromise by going to the site and seeing what the residents are talking about and monitoring it and that it will be in affect until the end of the summer, early fall, and a permanent solution will be offered down the line.

Chair Wynne said some of the responsibility for reasonableness is on the restaurant management as well. If you have someone who is sitting out there at 9:45, it is fair for them to tell them that the sidewalk café officially closes at 8:00 and ask them if they would like to continue in the restaurant, to please do, but in consideration of the neighbors, they need to close it down.

(P5) Recommendation to Extend Interest Payment Supplements of up to \$26,400 in HOME Funds over Six Months for Two City-assisted Affordable Condominium Developments

Ald. Holmes moved approval. Ald. Wilson seconded the motion.

Mr. Marino explained that 6 months ago the P&D Committee recommended approval of a similar interest subsidy program for these two City assisted affordable condominium developments at 602 Mulford and 736-738 Dobson, which has been provided over 6 months. The development groups have not been successful in selling the remaining units yet, so they are requesting at the recommendation of the Housing Commission, not a recommendation of staff, to extend the interest rate subsidy. Hopefully not all 6 months will be needed before the units are sold. He explained that the City has a financial interest in making sure these units do not go into foreclosure because that would cause the City to have a financial obligation to HUD because HOME funds were invested in these 2 buildings, which means they must produce affordable units. He said the City's interest is a fiscal one going forward as well as trying to see these units filled with quality owners.

Ald. Rainey said there is probably no other issue before the Committee in the last year that she is more opposed to than this. She said the time has come for the City to put a stop to this as \$700,000 has been wasted in this one case and the City has invested almost a million dollars in these two properties. In fact, she said, the City has invested over \$1 million in these two properties, and she believes it is time to cut them off. She said she had said 6 months ago when the P&D Committee approved the first round of interest subsidies that it was a bad idea and that if they go into foreclosure the City will lose the \$700,000. She said she remembers aldermen saying the last time, this is the only time I'm going to do this and we all went along with it and now they are back here again and at that time she said nothing good is going to come of this and nothing good did come of it. She said she just cannot believe that this very intelligent Committee is going to fork over more money for this 6 unit building with 3 units still vacant. She said the units are so cheap they are almost giving them away and that this is a good example of why affordable housing of this kind is not the right thing to do in this town, because we cannot get people to qualify. She said she has heard over the past year of about 25 contracts pending and the same number of units remains vacant. She said she believes this is a losing cause and the City should let them go into foreclosure. She said the City should get a point of receivership for both of these buildings. She concluded that she does not

know what to do, but she does know that this Council has no business supporting this any longer. Furthermore, she said, these are vacant units the City is being asked to support and every time we have this discussion, she asks the Committee, what about the occupied units of families in this community who are suffering with the fear of foreclosure, unable to pay their taxes who we are not helping at all. What we are doing is helping not-for-profits keep units vacant and she believes this is the wrong way to spend the City's money. She said Reba Place Fellowship is not without resources. She asked staff to tell her how many buildings Reba Place Fellowship owns and suggested they refinance some of those buildings to float this building. She said they own more buildings than your average person in this town and she does not believe they are in need of the City's support. She said Evanston Community Development Association has proven that they are not capable of being a developer.

Ald. Wilson said he generally agrees with Ald. Rainey. He said he does not share Ald. Rainey's level of frustration because he has not been on the Committee as long as she has, but in observing as an outsider, this is clearly not working and he would like to see one or two exit strategies developed to get us out of this, preferably without having to return the money to the federal government.

Chair Wynne asked staff to explain the meaning of the phrase in their memo: "foreclosure of the remaining properties would expose the City to approximate obligations of \$256,000 for Dobson and \$465,000 for Mulford," specifically of the exposure issue. Mr. Marino explained that the exposure issue would be for those units that would not be occupied by households that are eligible under HUD funded HOME funds. He said the obligation on the part of the City in using HOME funds is to make sure that these units become the homes of income-eligible households and if that does not happen, for instance if they went into foreclosure and were acquired by someone who did not want to sell them as affordable units, the City would have an obligation to HUD to pay back the pro rata share of the vacant units' HOME funds which are the respective amounts stated in the memo.

Ms. Spicuzza explained that those two amounts represent the pro rata share of the HOME funds for the existing unsold units, if they were not sold to income-eligible households. The time frame is not definite as of yet, and HUD has not asked for repayment yet, however it will be reviewed in the next 3 months. Mr. Marino said the time period for repayment of those amounts in the event of that unfortunate situation, would be negotiable with HUD but the obligation would exist. Ald. Rainey clarified that if the City continues to finance these groups and the units end up not being sold to low and moderate income people, it increases the City's obligation. So, Ald. Rainey concluded, if we do nothing we get the same punishment as if we do something. She said since the City is asking for millions of dollars in funds to purchase foreclosures, this is a perfect opportunity to purchase these two building and we can pay back HUD with the \$700,000 from one of the NSP1 or 2 grants.

Ald Rainey said she has asked staff several times to arrange a meeting with HUD over this issue because surely they have other failed situations across the country and we cannot be the only failures. Ms. Spicuzza said no, we are not. Ald. Rainey said they cannot expect communities like Evanston, who break our necks for not-for-profits to

come up with a million dollars because the not-for-profits failed to do what they promised us they would do and that the people of the community weren't able to qualify to live in these affordable units. She reasoned that this is the culmination of many different circumstances and the City of Evanston cannot be held responsible for that and she would like to meet with a HUD representative and staff.

Mr. Marino said he and Ms. Spicuzza have engaged HUD over a conference call making a similar case to what Ald. Rainey just made, and HUD indicated to them that the City has to show a continuing good faith effort to prevent the properties from going into foreclosure and that is HUD's expectation of other delegate agencies who received HOME funds who are also in difficulty. He said the interest subsidy strategy that was initially proposed and approved by the Committee and Council was in part a product of that conversation with HUD staff so there certainly can be another discussion in terms of the next dimension of the problem, but that has been HUD's consistent response, even though he pushed them on that issue.

Ald. Wilson asked what the outstanding balance is on the loans in question. Chair Wynne asked the developers, who were present, to provide those numbers.

Mr. Keith Banks of 2125 Washington Street and Executive Director of the Evanston Community Development Association (ECDA) said affordable housing has been a historical problem in Evanston and they have committed themselves to providing quality, decent affordable housing and they have been successful at it. They believe that just because there is an economic downturn and the market forces are not conducive to selling housing right now is no reason to throw in the towel. He said they have a significant interest in this as they have taken out close to \$1 million in financing and when they entered into a partnership with the City, one of the things the City challenged them to do was to not come to the City for all of their money, and they did not. He said the City only represents about 30% of the funding for this project: ECDA has a 6 unit condo conversion that is \$1.7 million. Evanston's \$500,000 investment represents about 30% and they have \$926,000 in loans from First Bank and Trust, a community bank who believed in what they were doing and that it was the right thing to do and that affordable housing was important in Evanston. Also, he said, they have \$180,000 from the Illinois Housing Development Association (IHDA), they have \$60,000 from the Federal Home Loan Bank and they have \$15,000 from the local 1st Presbyterian Church. So, he said, we are all partnering together to do affordable housing, but affordable housing is not immune to the economic and market conditions, just like market rate units are not, so he believes it is unfair for the City to consider turning their backs on them and pulling the rug out when the only thing that is needed is some additional time to get this done. He said they have a significant investment, and they have already sold 50% of the units, which demonstrates that there is a demand and need out there, but tough times just call for tough measures. He said they have worked very closely with staff and the community, from which they have a tremendous amount of support, as they are getting pro bono services that don't even get measured. They have law firms such as Katten Muchin, who has donated legal services to them and Jonathan Baum, an Evanston resident and attorney who has helped them with the sales of all of their affordable housing units. Law firm Mayer, Brown and Laura Tilly, an Evanston resident and attorney has provided condo declarations for them pro bono, the Community Law Project has provided their closings.

They have a local architect, Kevin Campbell, who has donated his services to them. Reba has guaranteed their loans. CEDA and Interfaith have worked with them and they work with the faith based community. He said they have faith that they can get this done, that they are not discouraged or the least bit worried that they will get this done, because they will. He said he does not want the City to turn its back on them because Evanston is a community that prides itself on diversity and the fact of the matter is, if the average price of a single family home is \$400,000, it is unaffordable to 50% of the population, so all they are trying to do is open up the door to all those families that are otherwise shut out. He reminded the Committee that they have brought the families to prior meetings and shown the Committee proof that there are a great many families out there that need assistance. He said not everyone makes \$100,000 or more a year to purchase a home in Evanston, but they have real families out there that want to achieve the goal of home ownership and a lot of people are supporting this. He said they have a significant investment. He said the outstanding balance of the loan on the property is \$468,859.

Ald. Wilson said we are continuing to spend money on empty space when that money could be allocated to help someone today. He said \$4,000 a month or more would pay several peoples' rent, so there are people today that need help with their rent and we are not helping them because we are funding empty units. He said he understands Mr. Banks' optimism and when the ideas were proposed it was an optimistic concept and a great idea, but it has not panned out very well in the end. Granted, the economics have turned out differently than the way everyone expected, but they have turned out this way and that is why when he referenced an exit strategy, it is because he believes collectively we must come up with a way to eliminate some of the risk for the City. He said the bank can foreclose and auction off the property and get their money but the City cannot. He wants to prevent the City from writing checks for the substantial amount of money the City has invested that we might have to give back out of its own pocket. He said he feels like Mr. Banks is accusing the City of not supporting them yet the City has gone out to the extent of hundreds of thousands of dollars and put it at risk and it has not panned out very well. He said he wants it to work out but that there must be some alternatives other than continuing to write checks and that is what he said he wants to see from staff and Mr. Banks' group.

Mr. Banks responded that when Ald. Wilson says "panned out" he is putting a double standard on affordable housing developers which he is not putting on market rate developers as he said he has seen market rate developers come before the Committee and get two or three year extensions on their projects because they cannot get off the ground due to the market conditions.

Mr. Marino clarified that HOME funds are eligible only to be used for creating affordable housing for households under 80% of the median income. It is a development finance program where new housing is created through new construction or rehab. It can be used for some accessory things, but that is the principal purpose. The City receives approximately \$550,000 a year for this purpose. The fund balance is well over \$1 million at this point, probably approaching \$1.5 million. He said he will provide the exact number of the balance. Mr. Marino clarified, at Ald. Jean-Baptiste's request, that this money may not be used for any other purpose, and that it must be used by a certain date, at which time there is a corrective action period for using the funds and if the City does

not meet HUD's requirements, HUD can remove those funds and then use them in other communities or at the state level.

Mr. Marino was asked whether the City loses money that could be allocated for other purposes if we continue to give the CHDOs money, to which Mr. Marino replied that if the City had enough housing demand from affordable housing developers, the City could conceivably use that money, but we don't at this point, so our only exposure would be the additional \$26,400 that is proposed as part of this interest rate subsidy for 6 months. That \$26,400 secures an exposure of about \$700,000 that we are at risk for. Ald. Jean-Baptiste clarified that if we provide the interest subsidy that is being asked of us, as long as we have the HOME funds, we are not reducing a pot of money that could be allocated for other projects. So at this point in time, when Ald. Wilson talks about an exit strategy, perhaps it is more of a strategy of how we become more successful in what we do because we cannot use the money for other purposes. He added that we are lucky we got the money allocated to us. He said that 3 or 4 years ago these units were moving and these CHDOs were successful. He said we have already made the demand on them to find creative ways to move these units and they are not moving as quickly as they should so he said he would like to hear again, what the challenges and opportunities have been and whether they think they are making all the effort that they possibly can. He said he wants to make sure that it is not a question of us losing money, but it is a question of trying to get them to be more effective.

Mr. Marino added that renting the units is not prohibited in terms of affordable housing production. The units could be converted from condo to rental and still meet HUD's obligations, but when there are already units in the building that have been purchased, it is complicated for the existing owners. Ald. Jean-Baptiste suggested that they could rent the units with the option to buy.

Mr. David Janzen of Reba Place Development Corporation said they have a 12 unit building of which 4 units have been sold and are occupied and 8 are vacant, one of which is under contract and has gotten a mortgage secured, so they hope to close on it soon. He said the mortgages they have with 1st Bank and Trust on that building are about \$90,000 per unit, which comes to approximately \$630,000. He clarified to Ald. Rainey that Reba Place Fellowship is not the same corporation as Reba Place Development Corporation and that if Reba Place Fellowship wanted to contribute to Reba Place Development Corporation, which it won't, the only way they could do it is by greatly raising the rents on their own buildings, which are greatly affordable at this point but would not be, under those circumstances. With regard to renting the vacant units, they have other funds involved in these projects, such as the Illinois Housing Development Authority whose funding is going to run out in a few months and other funding sources who's conditions are such that rental is not an option, so they would have to give that money back, so it is really a losing situation to try to make their vacant units rentals. He said they are very aware of their backs being against the wall and one of the solutions they are working on is the item for discussion, the next item on the P&D agenda, which he believes should have been combined with the subsidy interest request, and that they have revamped their price structure, they are lowering the sale prices considerably, they are borrowing money, and their intention in the next 3 months is to bring the prices down quite a bit lower and to try to market them by any means they can. That is their exit strategy.

Mr. Marino suggested the option to return this item to staff for additional discussion with the organizations involved and report back to the Committee at the next meeting. Chair Wynne agreed with Mr. Marino's suggestion and added that it should be combined with the discussion item that was on the agenda. Ald. Rainey said she would like to be involved in those discussions because both of these properties are in her ward and she has been very vocal about both of them and the only information she gets on them is when she gets a packet in which they are asking for money. She also clarified that they can take as long as they want to sell the units, but she does not think the City should support it any more and as far as she is concerned, federal dollars are no different than the dollars she pays into the general fund for the City of Evanston. She said federal tax dollars come out of all of our pockets and she thinks we have an obligation to spend those dollars responsibly and she believes throwing good money after bad is irresponsible. She said new members of the Council should be provided with information about how long these units have been vacant. Mr. Marino said it varies by each of the buildings, but it has been well over a year. Chair Wynne said staff should provide a thorough background for all the members of the City Council on this and that Ald. Rainey should be included in the discussion.

Ald. Holmes moved to return this item to staff to provide an opportunity to discuss it and link the item to PD1 for the next agenda. Ald. Rainey seconded the motion.

The Committee voted unanimously 5-0 to approve the motion.

II. ITEMS FOR DISCUSSION

(PD1) Recommendation To Provide Additional \$175,000 In HOME Funds To Reduce Purchase Prices On Affordable Units At Two City-Assisted Condominium Developments

This item will be discussed at the next meeting.

ADJOURNMENT

The meeting was adjourned at 8:29 p.m.

Respectfully submitted,

Bobbie Newman