



ECONOMIC DEVELOPMENT COMMITTEE

Wednesday, September 26, 2018 – 7:30pm

Lorraine Morton Civic Center, 2100 Ridge Avenue, City Council Chambers

Members present: Ald. Braithwaite, Ald. Wynne, Ald. Wilson, Ald. Simmons
Ald. Rainey, M. Berns, A. Pigozzi, H. Powell

Members absent:

Staff present: P. Zalmezak, J. Hurley, P. Martínez, J. Leonard, C. Plante

1. CALL TO ORDER / DECLARATION OF QUORUM

Ald. Braithwaite called the meeting to order and moved approval of the July minutes.

2. APPROVAL OF MEETING MINUTES OF July 25, 2018

Approved 7-0

3. ITEMS FOR CONSIDERATION

A. 2222 Oakton (Recycling Center) RFP

Because most of those signed up for public comment have asked to speak about the 2222 Oakton item, public comment will be first

Gary Peterson, spoke in favor of the Peckish Pig proposal, thinks it will generate more sales tax.

Lisa Winefield spoke in favor of the Peckish Pig proposal, wants a neighborhood gathering place.

Matt Ryan, farm manager at Talking Farm, wants to work with expanded Peckish Pig

Bill Glader Lighthouse Rotary wants to work with Peckish Pig to host more fundraisers, praised their contributions to the community

Marie Horowitz from Connections for the Homeless said the site should be redeveloped as mixed income housing and asked that the RFP to be reopened to affordable housing developers.

Doreen spoke about the need for additional transparency and public notice for land use and redevelopment proposals and asked the committee to reconsider Evanston Rebuilding Warehouse as a prospective user for the recycling center.

Ald. Braithwaite said each applicant will have 10 minutes to present their proposal.

P. Zalmezak introduced the two proposals and provided a summary of the staff review and scoring process. First Ascent will be on first.

Ald. Rainey asked that applicants be given more time to present.

Andy Stein from Clark Street Real Estate and John Shepherd from First Ascent introduced themselves to the committee. They had submitted a proposal the last time this property was offered and are excited to do so again.

Mr. Shepherd said climbing is one of the fastest growing sports in the US and has been added to the summer Olympics for 2020. First Ascent was founded in 2015 and just opened its 5th Chicago area location. Participants range in age from young children to seniors. Proposal for Evanston is most similar to their current Avondale facility; over 25000 square foot, draws over 200 visitors a day, including people from over an hour away. Locations in Uptown, Block 37, and Humboldt Park are smaller, more neighborhood-focused facilities. Climbing is more of a social activity than most gym activities; people don't just work out with headphones in and leave. Provides people indoor activity in winter.

Mr. Stein added that Clark Street is an internally capitalized development company based in Chicago with experience in large-scale projects, including Floor and Décor and the Walmart in Skokie. Under this proposal, Clark Street will develop the site and do a long-term lease with First Ascent to operate the gym.

Mr. Shepherd summarized proposed hours of operation and programming, and showed a video rendering of another facility currently under construction in Arlington Heights. Other facilities do regular events with local restaurants and other businesses, would seek to do so in Evanston as well.

Mr. Stein provided a summary of the proposed purchase price of \$1m and anticipated construction budget.

Mr. Shepherd added that use of the facility isn't limited to members and potential to serve as an event space and community hub.

Mr. Stein said that although the business wouldn't expect to generate much sales tax, he added that he would expect to pay \$100,000 a year in property tax for the site in addition to the purchase price of the building. In addition, based on the example of the Avondale location, visitors going out before and after climbing could be expected to patronize neighboring restaurants and businesses, generating sales there.

Ald. Braithwaite asked if there were any questions for the group, but there weren't any.

India McKay introduced herself – GM of Peckish Pig for the last 4 1/2 years. They currently have a staff of 38, and over \$9m in sales since it's been open. In 2017 alone, they hosted 67 events and generated over \$250,000 in sales. Recognized a need for event venues in Evanston –they've hosted weddings, bar/bat mitzvahs, and fund raising events for numerous Evanston organizations. The Chicago area is the 5th most expensive market in the US for weddings, with an average spend of \$34,000. Evanston has several traditional venues like Hilton Orrington and Crystal Ballroom, but is short on non-traditional venues

with comparable capacity for large events. Financing is expected to come in the form of loans from Wintrust bank. Ms. McKay introduced the design team to talk about the plans for the building.

Thomas Ahleman, architect for the project showed the proposed building, first phase is the event space, which would open first. Food hall area would be added later and would include 6 vendors that open out onto the bike path and park area. Proposed floor plan includes a main event room with a mezzanine and grand staircase.

Scott Prestangen provided a summary of the proposed phase 1 construction budget, developed in consultation with major subcontractors.

Ms. McKay presented proposed timeline; hope to open phase 1 by the end of 2019. Peckish Pig currently has 5 200-person weddings scheduled for 2019. People want to have weddings and events in Evanston, but they're having to go to Chicago for venues like Architectural Artifacts. Bringing these events to Evanston creates a multiplier effect by bringing business to hotels, florists, and surrounding restaurants.

Ald. Braithwaite said that the next step will be recommendation from this committee to Council for a single entity, with a proposal going to Council on November 12.

Ald. Rainey opposes any outright sale of the property because it's surrounded by the park and other City-owned property. Clark Street just wants to acquire land. They have no connection to the community and would only be renting to First Ascent. The Palmhouse project is 100% homegrown and connected to the community.

Ald. Wilson asked how parking would be handled at the site

Mr. Ahleman said the current site has space for about 40 cars; for larger events shuttle service would be provided to hotels.

Ald. Wilson said he isn't opposed to selling the building, and isn't comfortable with the City continuing to be a landlord and have to continue to maintain the building. Obligation to the taxpayers of the city is to do what makes the most financial sense.

Mr. Pigozzi agreed that the climbing use seems to be a better fit with the park and surrounding uses, asked about the current zoning.

Mr. Zalmezak said that the current zoning is I2

Ms. Berns added that either business would need a special use for this property. Things like parking and hours of operation would be addressed as part of that process.

Ald. Braithwaite mentioned that if Clark Street were to purchase the property for this use they would be restricted from doing something else with it later as part of the zoning relief.

Ald. Rainey again said that she opposes selling the building outright. It needs to be leased and shouldn't be sold to an active developer.

Ald. Simmons asked the First Ascent team about their plans for coworking facilities.

Mr. Shepherd said that the Avondale and Block 37 spaces provide seating and free wifi and allow members to set up for the day for work. The Avondale facility also has a meeting/party room that people use for work during the day.

Ald. Simmons asked about the fee structure and accessibility.

Mr. Shepherd said that the business currently partners with Boys and Girls Club to provide access to low-income groups and programs, and has also provided access for other programs and organizations for events. They also offer a discounted "off-hours" membership for people using the facility during the day.

Ald. Simmons asked about the proposed lease term.

Mr. Shepherd said that they're planning for a 10 year lease.

Ald. Simmons said that there is a need for activities and recreation, particularly for youth and families, asked about services for those age groups.

Mr. Shepherd said that they do offer classes and programming for older children and young people as well as a competitive climbing team, which includes kids in middle school through age 18. Families also climb and use the gym together.

Ald. Simmons asked about other events and partnerships with local businesses.

Mr. Shepherd said that although the business isn't an event space in the same way as the other proposal, they have hosted gatherings and events in the past, partnering with local restaurants and other local businesses to host things like film screenings.

Ald. Simmons asked if they'd consider sliding-scale memberships and whether they work with people with disabilities.

Mr. Shepherd said that they do work with blind climbers and other participants with disabilities, some of whom compete nationally. They're open to looking at expanding access to memberships.

Mr. Powell asked how many people the facility employs.

Mr. Shepherd expects 7-10 full time equivalents and 20-30 part-time staff.

Mr. Powell asked Peckish Pig how many they expect to employ.

India said 5-10 would be employed directly as bar and event staff; the market spaces would be leased to separate businesses that would employ their own staff.

Mr. Powell asked what kind of training they provide to staff.

Ms. McKay said that the food hall side would be added later but would help address the need for people to work in commercial kitchens by adding educational programs and leasing vendor spaces to startup businesses.

Mr. Powell asked about how much Peckish has paid in taxes.

Ms. McKay pointed to a presentation slide summarizing revenues - over \$100k in property taxes since their opening and over \$160k in liquor tax, \$800,000 in sales taxes. For this the expanded venue they expect to clear \$2000-4000 in liquor tax a month. They would have the liquor license for the whole building.

Mr. Powell asked about training at First Ascent.

Mr. Shepherd said they offer customer service training as well as instructors teaching people to climb, and how to run events.

Mr. Powell asked what percentage of the staff are minorities.

Mr. Shepherd said 25%.

Mr. Powell asked about local employment and membership costs.

Mr. Shepherd said the regular membership is \$79/month and the reduced membership is \$39.

Mr. Powell asked where the \$1m purchase offer came from.

Mr. Zalmezak said that this is their offer but the City hasn't had it appraised recently.

Mr. Stein said that the offer is based on comps for similar buildings in the area. If it's appraised for significantly more than that we're probably out.

Mr. Zalmezak added that Mr. Smith from Evanston Now reported that the previous appraisal was about \$845,000.

Mr. Powell asked about where they generated their estimated usage numbers.

Mr. Shepherd said that these figures were based on usage at existing facilities.

Mr. Powell said he'd like to visit the facility before voting; everybody has been to Peckish Pig but may not have had a chance to visit First Ascent.

Ald. Wynne wishes we had two buildings to lease; both proposals are great and would be successful. First Ascent is the kind of recreational use we've been talking about trying to attract for years. Thinks it's time to sell the building; we're not going to sign an agreement unless First Ascent is part of it. The Peckish Pig proposal is also great, but we should find another space for it.

Ms. Berns praised the Peckish Pig team and their proposal but said First Ascent seems like a better fit for the site and said that a recreational use is more compatible with the current zoning. It's also a better use for this particular building – not many buildings have ceilings high enough for climbing. Skeptical of the visitor numbers, but if they're accurate, it would be a great way to activate the site. The fact that they proposed it before and have financing ready is also compelling.

Ald. Braithwaite pointed out that there are a lot of other fitness businesses and facilities in Evanston and asked how this will fit in the market.

Mr. Shepherd said that they view it as a positive indicator that it complements rather than competes with other things like crossfit and yoga studios. Climbing is a unique fitness offering; for some people they do it occasionally or once a week, but for others it's a primary activity. They've often done cross promotion with other gyms and facilities, which is a good sign they'll fit with other facilities.

Ald. Braithwaite thanked both groups for their interest and their presentations and indicated that he's leaning more in favor of the First Ascent proposal due to the unique use and the potential for revenue generation both from sale of the building and property tax, plus the fact that they're not planning to seek any incentives or assistance.

Ald. Rainey asked that First Ascent and Clark Street be required to commit in writing to do all the things they've said they're going to do regarding training and access for low-income families. Also concerned about traffic and parking at the site given the attendance projections and the building's proximity to the park and the sports dome facility. Asked if Clark Street would consider a 3-year lease with option to purchase for First Ascent.

Mr. Stein indicated that the investment needed wouldn't be supported by a 3-year lease; their intention is to reposition the property and lease it to a best-in-class facility.

Ald. Rainey asked about what the profit margins are for First Ascent.

Mr. Stein indicated that it's a privately held company and they're not obligated to share this information.

Ald. Wilson moved to recommend that staff prepare a term sheet for First Ascent to be sent to City Council.

Ald. Rainey added an amendment to request a current appraisal of the property.

Ald. Wilson agreed that an updated appraisal should be included as part of preparation of the term sheet.

Ald. Rainey asked for a roll call

**Wynne, Wilson, Hecy, Braithwaite, Simmons, Pigozzi, and Berns vote yes
Hecky abstains
Rainey votes no**

Approved 6-1-1

Ald. Braithwaite asked whether the City would be required to pay transfer tax here

Mr. Zalmezak said it's customary for the seller to pay

Ald. Braithwaite asked about the confidentiality clause

Mr. Stein said the final agreement would be a standard sale contract

Mr. Zalmezak said the law department would review it.

B. Howard Street Holiday Lights

Ald. Rainey moved approval.

M. Berns seconded.

Approved 8-0

C. Proposed Changes to Business License Requirements

Mr. Zalmezak acknowledged that it's now after 9:30, but would like to discuss if possible. Staff looked at data provided by the state showing that there are over 10,000 business entities in Evanston. Although many are HOAs, nonprofits, and other non-business organizations, there are still as many as 5,000 businesses including 2,500 or so home based businesses. The City currently only issues about 500 general business licenses at any given time. Expanding to a registration process will improve communications with businesses for things like snow emergencies, construction, and RFP opportunities. Expects this will also generate up to \$200,000 in revenue.

Ald. Braithwaite pointed out that we aren't currently capturing information about m/w/ebe businesses or whether someone's renting or owning, and might allow for eventual licensing of landlords later.

Ald. Wilson asked about food vs. nonfood.

Mr. Zalmezak said that food establishments would remain completely separate and continue to be regulated by the health department.

Ald. Wilson asked that staff develop it more and present to council.

Ald. Simmons thinks it's a good idea because we're currently missing opportunities to support our local businesses.

Mr. Powell asked how staff developed the proposed fee structure.

Mr. Zalmezak said staff researched similar fees in surrounding communities and wanted to structure things in a way that was fair.

Mr. Powell said that the overhead for existing brick and mortar is significant

Mr. Zalmezak added that part of this proposal includes eliminating the annual sign fee that storefront businesses pay for signage - \$12-24 a year for most in addition to business fees and other taxes.

Ms. Berns pointed out that many home-based business owners have multiple businesses – she operates 5. Questions why she should be charged so that the City can email her more.

Ald. Braithwaite said that part of this is trying to do more local purchasing for projects under \$20k, this would help with that outreach.

Ms. Berns pointed out that she's already paying licensing fees to the state as an architect, and then City licensing fees for general contractor registration.

Mr. Zalmezak said that the intention isn't to bill each business if you're operating several businesses out of your home. We do have issues though in cases where neighbors complain about an unlicensed or unregistered business and the City needs to inspect or enforce. As a member of the committee Ms. Berns is more engaged than many business owners in the community; we don't want to add more fees for people without providing some benefit.

Ald. Rainey proposed that it be structured as one per address

Mr. Zalmezak agreed, and said initial outreach will allow for people to tell us that they shouldn't have to register because it's a family trust or shell company or something else that shouldn't be licensed.

Mr. Powell asked how enforcement works now.

Ms. Leonard said that zoning or building and inspections staff typically responds to 311 requests now where neighbors call to complain that someone is operating illegally in a residential area

Ald. Wilson moved to recommend that staff prepare a business registration program for presentation to Council

Approved 6-2

Berns & Powell vote no.

4. ITEMS FOR DISCUSSION

A. Entrepreneurship Grant Program Review

Ald. Wilson asked that this be discussed in more detail at a future meeting.

Mr. Zalmezak agreed that this should be moved to a later meeting.

Ald. Rainey asked for additional information as to the outcomes for businesses that have received funding so far. What was purchased, what was the outcome, etc.

Ald. Braithwaite agreed, would like more detailed updates on the businesses.

Ald. Simmons asked if the businesses listed have all been paid out.

Ms. Plante said that the list includes those that have been approved by Council; two of them were approved but have not yet been paid out.

B. West Evanston TIF Follow up

Ald. Rainey asked if council action was required for this.

P. Zalmezak responded that this is an administrative procedure that doesn't require council approval, but we wanted to present it to the committee in the interest of transparency.

Approved 8-0.

5. COMMUNICATIONS

A. Monthly Economic Development Communication

B. Announcements/Updates from EDC Members

Ald. Rainey pointed out that if the transfer tax referendum would have passed, a recent property transaction in the 8th Ward would have generated significantly more in transfer tax revenue than it did under the current system.

Ald. Simmons announced Lash Squared is now open on Foster Street in 5th ward

6. ADJOURNMENT

Meeting adjourned at 9:48pm