

**Evanston City Council
Closed Session Minutes
Aldermanic Library
Tuesday, March 27, 2007**

PRESENT: Aldermen Tisdahl, Rainey, Hansen, Wollin, Jean-Baptiste,
Bernstein, Moran and Holmes.

NOT PRESENT

AT ROLL CALL: Alderman Wynne

GUESTS: James Klutznick, Klutznick Fisher Development Inc.
Tim Anderson, Focus Development Inc.
Larry Booth, AIA, Booth Hansen Associates
Peter Schaudt, Peter Lindsay Schaudt Landscape Architecture, Inc.
Steve Friedland, Legal Counsel
and others

STAFF: Judith Aiello, Julia Carroll, Herb Hill, Elke Purze and Rolanda
Russell

PRESIDING: Mayor Lorraine H. Morton

START: 7:30 p.m.

Real Estate acquisition

City Manager Julia Carroll stated they would have a presentation from Klutznick, Fisher, Focus Development. Closed session minutes from February 5, 2007 were passed out to refresh Council's memory about the initial proposal.

Jim Klutznick opened by describing where he started in Evanston -- a public private partnership with the city to develop Sherman Plaza. They hoped to convince Council and the community to redevelop the parcel across the street and work together collaboratively to produce something all can be proud of. (Alderman Wynne was present at this time.)

They propose to build onto what has been started keeping in mind that Evanston's main competitor is Old Orchard. In order to remain competitive, Evanston needs to continue to grow. His firm was not the first in. There was the Park Evanston with Whole Foods, then Church Street Plaza created a lot of excitement in context of what the city did with its parking policy. The Chandler Building and its plaza were renovated which relates to this project and Sherman Plaza was built. As each project has come along, it builds high quality retail. They are receiving more inquiries for retail so there has to be room for new growth in quality space.

Fountain Square is outdated and not as functional as it should be. He showed a rendering of a civic plaza in which Fountain Square is redeveloped and enhanced north and south of

Davis Street. They would take away the Fountain Square Building and integrate the coming together of Sherman, Davis, and Orrington to create an opportunity for a real civic plaza.

Tim Anderson said that retail is the base of the project. In re-developing a mature community they need residential to support the retail. The northern two thirds of the block cannot be developed as two-story retail and be financially viable. The residential strengthens the tax base without proportionately burdening services. They have closed on more than 200 units at Sherman Plaza which has about 12-15 school age children. Downtown residents become consumers of restaurants, stores and services. Their presence livens downtown and makes downtown safer. They propose units of one bedroom up to luxury penthouses to have a diversity of housing which brings a richer community. There will have empty nesters, young professionals, move down buyers and retirees. This would be a 2008 project. Today luxurious downtown high rise living is a desired experience. Evanston has become the urban North Shore alternative to Chicago. This can also be quality housing for disabled and mildly mentally challenged. At Sherman Plaza they have nine mentally challenged residents that live independently. Some parents have moved into the building as well. There is a 24-hour doorman, resident manager and a maintenance free lifestyle. People relocate to Evanston from other cities.

Why this project? There is a lot of similarity to the Sherman Plaza project. The project is the financial engine that drives the expansion and re-creation of Fountain Square into Evanston's civic space. It is a unique opportunity to build an architectural iconic structure in the center of town. The development team understands the Evanston market and has a proven track record with development and the city. This will be a LEEDS certified project. The project engages an otherwise dormant TIF development that ends in 2018 to provide a highly visible public benefit.

Larry Booth stated the site is unusual, in the middle of Evanston with a plaza connected and is an incredible opportunity to make an icon, an example of urban design and development. It became clear that Fountain Square was the key to this because of its condition, site and need of redevelopment. They looked at the Hahn Building, a handsome building that deserves to be maintained; examined different schemes to get the number of retail and residential units to make this work. He complimented Council on going to form based zoning. They propose a five story base with two stories of retail (limestone exterior or pre-cast material to resemble limestone) that will match the sculptural richness of the Hahn building; three stories for parking and an amenity floor, then apartments in several zones. There will be apartments with eight units per floor, a zone with six units per floor, a zone with four units per floor and on top two units per floor. They plan a set back 40 feet on all three streets and a 9000 square foot floor plate. This building will become a real symbol and a capstone of Evanston and represents a completion of the shape of the downtown in form. They would tear down the Fountain Square building and take almost half of that property to open up the plaza and build a matching two story building with a restaurant which would fill that plaza with light.

Fountain Square. Peter Schaudt, landscape architect, noted this space historically has had a lot of meaning for the community. In 1876, to celebrate the centennial of the United States, a modest fountain was placed there. In 1945 an art deco memorial was built with a cenotaph and cascading fountain. The bicentennial was observed in 1976 when the current fountain was built. Fountain Square needs a new look. They suggest building a better memorial. By expanding the square, a flexible space is created that could be a regional destination with a great fountain. One idea would be a zero-depth fountain that comes out of the pavement lighted nocturnally with different designs. They could consolidate the memorial on the south side of Davis Street and unify the segments. Slightly raise the grade of the approaching street, which would be sloped, to slow traffic down. Level Davis Street between Orrington and Sherman with low bollards so it is all one level. At certain times of the year connect the two by closing the street for festivals. Using the triangle as a strong form, connect and close the tip with a flag pole mounted on a granite base as the focal point of a new memorial area. They suggest low granite walls, unification of names, low fountain bubblers and an eternal flame on Davis Street. He suggested a public process, a memorial committee and fountain square committee to exchange ideas and get consensus of content from citizens.

The current Fountain Square is cluttered and uninviting. One way to improve it is to have street trees at the edge, new lighting and benches with nothing in the center of the plaza. He suggested that the fountain be close to Davis Street. Their fountain consultant is one of the best in the nation. Essentially it would become a piazza. They are thinking of a glassed restaurant facing the plaza. The trees should be bold and large to create the idea of enclosure. Unification of the two pieces is key to making it larger and more functional. The space should be the symbolic heart of the community and a public space.

Financing. Tim Anderson stated the residential/retail tower is a private development and will not require TIF assistance. The generation of the TIF is solely for development of Fountain Square. They have interest from Cole Taylor Bank, Lehman Brothers and Lincoln National Insurance. All were involved with Sherman Plaza and are interested in the project. They have talked to Kane/McKenna, the City's TIF consultant about whether this project makes sense. Between 2010 and 2018 when the TIF ends, the proposed project would yield tax revenues between \$25.6 - \$30.7 million, depending on assumptions. Kane/McKenna indicated net present value of about \$10 - \$11.8 million and could be higher depending on interest rates associated with the TIF. Going with the basics of a TIF increment of \$11.8 million, they would pay \$500,000 for the land value of the restaurant parcel. The estimated cost of Fountain Square, working with Peter, and construction team, a conceptual estimate is \$4.5 million. That leaves \$7.8 million for land acquisition of Fountain Square and other public improvements.

Timeline for project. The increment must be carefully timed because of the life of the TIF. They would go in May for a Planned Development (PD) application; have hearings over the summer and come back to Council in the fall. Then go to construction documents and construction; have retail occupancy in the first quarter of 2010 along with the first residential and take about a year to close out the residential project in 2011. The TIF increment is dependent on the private development schedule. The redevelopment of

Fountain Square does not have to happen with the construction of the residential/retail development, so they have some flexibility in acquiring land.

Council discussion. Alderman Rainey commented that this project seems dependent on the Fountain Square building being bought and demolished; given the increment would pay for that, asked when that would fit into the timeline. Would it be simultaneous with building the project? Mr. Anderson thought it good to have a cohesive plan for the entire block. She confirmed of the \$11.8 million, \$7.8 million would be for purchase of building, then somebody would buy back for the restaurant. \$4.6 million would be for re-development of Fountain Square. Mr. Anderson stated that they would do that work in partnership with the City. They have the area north of the Hahn building under contract; have not purchased the Fountain Square building. He thought it made more sense for the city to purchase the Fountain Square building because it will become part of the public space and the city is in a better position to acquire it at a more reasonable price.

Alderman Holmes asked what is going on with the Hahn building. Mr. Anderson said if they could acquire the Hahn building they would like to do that. He thought it could be re-tenanted by residents of the Fountain Square building. Mr. Klutznick said they have had conversations with Leon Robinson but have no understandings with him.

Mayor Morton asked how much of this can be done by right. None can be done by right. Assistant Manager Judith Aiello stated because it is more than 25 units, it would require a PD and exceeds the additional allowances under a PD.

Mr. Booth explained if they went through the PD process, similar to Sherman Plaza, the F.A.R. of the taller building is about the same as Sherman Plaza but a different shape. There is no more density in this project than given to Sherman Plaza. Sherman Plaza has 253 units and this project has 216 units. The smaller floor plate means this building will be very slender. Ms. Aiello commented the mix of units is also different with many more large units to capture empty nesters that want luxury units. The building is 49 stories, less than the Washington monument, and is 511 feet tall.

Mayor Morton asked what they were asking for. Mr. Anderson said they would like to enter into a public/private partnership to achieve the public Fountain Square project, do the project on the north part of the block and the city be a co-applicant in the PD process. They would like city to enter negotiations to try to acquire the Fountain Square building. After they get PD approval, they want to enter a re-development agreement.

Alderman Rainey asked the current tax revenues from space to be re-developed. Currently the two (Church Street building and Fountain Square building) encompass about 95,000 square feet of office or retail space. They would replace that with 40,000 square feet of retail, plus 216 condominium units. The increment would be \$2.8 million.

Alderman Bernstein asked if they had an existing square footage breakdown of the buildings. 708 Church has 20,250 square foot of retail and just over 18,000 square feet of office space. The Fountain Square building has 52,400 square feet of office and no retail.

Mayor Morton thought the project would be gorgeous; asked them to spell out the nuts and bolts of the project as a partnership. What would the City be asked to sign?

Mr. Friedland said that this would be similar to Sherman Plaza. The project team would develop the private project and the public project. The re-development agreement would provide for this team to do the public project and use the TIF that comes from private development, similar to what was done across the street. Ms. Aiello noted they would set out what the developer will do and what the city will do, obligations of both, and assurances that the city will get what they say, because it provides a revenue stream from Fountain Square. There would be benchmarks to be met.

Mr. Hill noted that the interconnection between the two developments is different and Council does not have to have the developer do Fountain Square as it was when they built a new parking garage. That is a policy discussion that Council needs to have and would be the framework for the redevelopment agreement.

Alderman Wynne asked them to explain why this project makes sense from the standpoint of land and urban planning. Mr. Booth stated they built a small model and looked at differences in setbacks versus height. It will be either tall and thin, tall and thin-ish or short and wide to get the square feet to make economic sense. They have a fixed amount of volume. In showing them a point tower, they are in good company. Urban planners are moving more toward thinner buildings that are taller that don't block vistas. Alderman Wynne asked why it makes sense to build a building that is a third taller than anything else. Mr. Booth stated because of where it is - it's the wedding cake shape of the city and a recognition of the center of the town.

Mr. Klutznick said to have an iconic building to cap the downtown is something that is appropriate. He knew other tall buildings have been presented. This is the one arrow shaped lot that points to this building which is elegant. All know that height is an issue. If they are going to do it, once they get above a certain level, elegance is more important. Mr. Booth noted because of this arrow shaped site and setbacks on three sides the shape of the building communicates the shape in three dimensions. People will see a trapezoidal form which is unique. It is not a box but a special shape in a special place. That is why it will be a capstone and center of town. It is almost like the Flat Iron building in New York City designed by Daniel Burnham who was an Evanstonian. The building would be made mainly of glass. There would be balconies and a roof deck that could be seen from the ground. This will be a LEEDS building. They will explore wind turbines to generate electricity. Rainwater can be absorbed on the roof deck and they hope to make the building carbon neutral.

Mayor Morton commented that people who bought in Sherman Plaza cannot see the lake anymore if this was built. Mr. Anderson disagreed. He attended a homeowners meeting recently and some people know they are looking at this block. If you look at where the tower is placed, there is a corridor that goes through to the lake. There will be some infringement on their views, but not severe. Mr. Booth thought point towers are

becoming more popular because they don't block views the way a slab building does. Removing the Fountain Square building will dramatically change views.

Alderman Moran wanted an opportunity to talk among colleagues. Ms. Carroll asked the purpose of making the city a co-applicant. Mr. Anderson said it makes a stronger statement if the two are linked. Alderman Bernstein noted that people in Sherman Plaza might oppose this. They are asking the City to step up and say they approve this development, which says it is approved and pre-empts the PD process which they did once when a gun was held to their head. He would not do that again.

Mr. Klutznick said it was not their intention to in any way to preclude the public process to go forward. Council will do what they believe is appropriate. Alderman Rainey asked if Council was not interested in the Fountain Square building, and if their ideas about renovating Fountain Square were much more modest, would they still go forward. Yes.

The development team left the meeting at this time.

Ms. Carroll asked if Council wanted to acquire the Fountain Square building?

Alderman Moran saw significant value in the project, not in every detail, but aspects that are potentially beneficial to the City. He thought this building does not have to be as tall as presented and could be reduced by some percentage. Larry Booth is an outstanding architect and would build an excellent building. This is the one place where a large building could work. The shape is elegant. Removing the Fountain Square building is huge. Why so many units. He suspected a significant part of the driving element is that Sonny Robinson would hold out on selling the Hahn building and Ted Mavakos on the Fountain Square building. He recalled this happened on Sherman Plaza when the Osco site owner held out. He thought the developers would have to pay top dollar for the property. The whole notion of redeveloping Fountain Square is a huge part of the downtown. If they can do this and clear out the Fountain Square building it would be an amazing amenity to downtown. He wouldn't put trees there, nor make it a piazza, would make a plaza mayor similar to Spanish cities and open it up. He thought it could be closed off many times during the year; used as an alternative to Ravinia and a significant music venue during the warm months. If the building could be built in the 40 – 50 story range, it will be iconic. He sees it as a magnet, a force that brings people into Evanston. He does not worry about office space; wanted to see more retail in downtown. He would not want to be a co-applicant; urged they develop a value statement on this project and be unified. Overall it has a huge potential upside to contribute in a major way to downtown aesthetically and economically. He urged Council to go with this or some variant. He would like Council to signal to the developers that evening that Council likes these elements and some elements they want to continue to discuss; don't want to be a co-applicant; must have a public process and work on a collaborative basis and encourage them to go forward.

Alderman Wynne wanted to understand what was so magic about 216 condominiums to support the project. Assistant City Manager Judith Aiello explained that it is the cost of

the land and development to get the return on investment required by lenders. She has not seen a pro forma. In order to do a high quality development there is land cost, cost of construction using higher quality materials and amenities. They are not building many smaller units, but larger units. More can be charged per square foot for smaller units. Alderman Wynne questioned \$500,000 for the land. Ms. Carroll said they don't know where that number came from and would have to do due diligence. Staff needs direction on whether Council wants to participate in acquiring the Fountain Square building. Ms. Aiello said the developer has sought rent rolls. If the City is not a co-applicant, would they be comfortable showing the Fountain Square project, and if they show it does that put Mr. Mavakos in a better position to negotiate. They have sought rent rolls from Mavakos to determine the value of his property.

Mr. Hill asked if Council was authorizing staff to begin to negotiate to acquire the Fountain Square building.

Alderman Bernstein thought the project fabulous visually and liked the concept of space for Fountain Square; would never vote to co-sponsor the project and has a philosophical aversion to eminent domain. He thought it a good idea for the city to buy the Fountain Square building; agreed that Fountain Square is an eyesore. The net off of retail is 20,000 square feet and won't put them even close to Old Orchard. He was skeptical about Mr. Klutznick based on the past and concerned about the truthfulness of his statements; asked how much it will cost to create the plaza; wondered about the number of parking spaces. He would never be a co-applicant and questioned Council shilling for a private developer, buying and selling back. He wanted to see more numbers to see what they are getting and to see more retail.

Ms. Aiello said the retail would be marketable as original retail for Sherman Plaza, not the small stores that are there now. Alderman Bernstein's concern was that Sherman Plaza originally was going to have 260,000 square feet of retail, 130,000 for Sears and now they have 90,000 square feet. Ms. Aiello said part of that was the partnership to get rid of the previous partner cost this partnership a lot of money. Alderman Bernstein thought that Tim Anderson is credible. Ms. Aiello said what they got was much better than what was originally proposed.

Alderman Jean-Baptiste understood that Sherman Plaza needed to happen. He thought this is the last best chance to develop this area and tell the developer that we are interested. Staff will get direction on the specifics from Council; agreed the City should not be a co-applicant. He suggested they need to explore with Robinson who will be boxed in and at a disadvantage. No new developer would buy that property. Ms. Aiello said that Mr. Mavakos could sell to another developer and exclude Fountain Square, and they could end up with dueling towers. Alderman Jean-Baptiste urged Council to say they are interested, didn't know whether they will support the height and wanted more details.

Alderman Wollin noted they have talked about redeveloping Fountain Square for a long time. The Fountain Square building is ugly and the square is non-functional. To have a civic space for events and music, outdoor dining would add to downtown ambiance. She

was worried about Golub, doesn't like the ramp on Orrington that goes to underground parking which should be closed. They have to look at traffic patterns. She considered Larry Booth one of the best architects in Chicago and trusts his judgment for a building of this height. This is the only place it could be. She likes that it will be a LEEDS building. They will have to have lots of public input. She favors the project and knew it won't be easy. They need better numbers and cannot be co-applicants. The Hahn building is a landmark building and will add value. The block has to be done as one.

Ms. Carroll thought retail will be better on Orrington Avenue. Ms. Aiello stated they have met with Golub to show them what they are doing. Golub will come back to the P&D Committee because they need to reconfigure some of the phasing. The developer is comfortable with what has been proposed by Golub who has some new partners.

Alderman Holmes liked the project; noted if the north end and the south end are purchased, the Hahn building is isolated. Ms. Aiello said the Hahn building is a landmark, and the developer wants to help the owner re-tenant his building. The Hahn building adds character to the street as it relates to form based zoning. When Holmes spoke with the developer, she was told they were negotiating with both owners. Ms. Aiello said both Robinson and Mavakos value their buildings between \$9 -11 million. When they looked at the Hahn building rent rolls they came up with \$6.5 million, so there is a large discrepancy. She stated they can ask for those numbers so that Council can see the value of buildings, land, rent rolls, appraisals and the gap in valuation.

Alderman Rainey liked the project, but not the project without the Fountain Square renovation and removal of the Fountain Square building because they can't do those things without the project. They will have to come to a meeting of the minds on what they will tolerate. Council should buy the building with the increment and not sell land back to the developer. If somebody comes along and builds, they can lease the space. They should do an international competition for design of the space and get a magnificent public space. She asked about Ted Mavakos financial position. Ms. Aiello said that Mavakos is strong. Alderman Rainey suggested the Council talk with him. If he doesn't want to sell, his price will be \$20 million. They need to tell Klutznick and Focus that Council wants to acquire the Fountain Square building. The developer has to apply for a planned development. Alderman Rainey suggested they disregard the Hahn building in their deliberations because it would be criminal to demolish it. When she first saw this she liked the idea of the restaurant and thought of Tavern on the Green in New York City.

Alderman Tisdahl liked the building, but not the height; predicted the height will create a public furor. Apparently tenants have been notified that leases won't be renewed and can rent month to month to the end of 2007. Ms. Aiello said there is an opportunity to relocate retail and office customers to the old Barnes & Noble space.

Alderman Hansen views were similar to others. While somewhat scared of the height, she noted the 40-foot setbacks, open space and saw the development as a great opportunity.

Ms. Aiello suggested as part of the public benefit for the PD, that the developer pay for the competition. The landscape designer should be the city's consultant. She noted veterans were promised they would be involved. She asked if they were comfortable with them showing the plaza as redone or not. Alderman Rainey wanted to show the space and be able to take the Fountain Square building in and out. Alderman Wynne was keeping an open mind and liked the idea of opening up the space; asked the mechanics of the City buying the Fountain Square building. Can the city sue the owner? Ms. Aiello said they will get an appraisal and start negotiations with the owner. If they cannot agree on a price, the question becomes does Council want to condemn? Alderman Wynne thought what would significantly change public opinion is what is altered and the bonus Council's gets by having that. Ms. Aiello recommended they start negotiations now but say they won't close until this project goes forward so he could continue to own before they close. Alderman Wynne said a tall building alone without the plaza would draw thousands of people and be criticized, whereas a tall building with the plaza would be different. Mayor Morton confirmed that the Fountain Square building is to be purchased, torn down, and a two story building built with a restaurant. Ms. Aiello wanted to make sure that the plaza is not compromised.

City Manager Evaluation Date

At the next Rules Committee meeting on Wednesday April 4th, they decided to pick a date. Mayor Morton suggested since they have the procedure that they have the evaluation after a Council meeting.

At this time the development team returned to the meeting.

Alderman Moran stated Council had a lively discussion and significant interest in the proposed project. Not everybody was ready to sign off. There is significant interest in the project, removal of the Fountain Square building and redevelopment of the Fountain Square area and recognition of the need to move forward in the near future. Council wished to continue to discuss particulars with them. He was not sure they were ready to accept all iterations. The notion of being a co-applicant was soundly rejected. The principal reason is should the project go forward, there will be a public process, they don't feel they should be a sponsor. The public should have an opportunity to come forward and speak. That does not mean Council cannot be supportive of the project. There are different ideas about different pieces, but, overall, positive feelings about the project.

Alderman Rainey thought Moran had understated interest in the project. Most people love the project and the building. Council is interested in doing the plaza through a competition. Her interest is in purchasing the building and she recognized that they have to have the project to do that and the increment.

Tim Anderson was pleased to have the dialogue. He asked if there was any interest in having the developers pursue the purchase the Fountain Square building on the basis of making it contingent upon TIF assistance? That is another option. Mayor Morton said they were trying not to escalate the price. Mr. Klutznick said they had a number of

conversations with Ted Mavakos across the board. All three property owners had expectations based upon prior developers' offers, particularly on the Fountain Square Building. They have always resisted the suggested price. In their last conversation with Mavakos, they showed him and Robinson what they propose. Mavakos reaction was it was a good concept and could happen. They made no attempt to discuss reduction of price. They met with him prior to going through the public process and did not know how the City would consider this. Mavakos asked more than \$9 million. He paid \$5,350,000 three years ago. The \$9 million was from a prior developer. It made no sense to have equal increments for all three properties. They saw a modified rent roll from Mavakos. The last developer offered \$28 million for the entire block. They did not see the economics of that. When they hooked up with Booth Hansen, the whole concept changed with the need to get rid of the Fountain Square building.

Mr. Anderson asked the next step. They want to get to the planned development process. Ms. Aiello said the next step prior to the public process is to let the Chair of the Plan Commission and Design Evanston see what is proposed then take it to the Economic Development Committee.

Ms. Aiello said they have started discussion on the business points and periodically will bring them back to Council concurrent with the planned development process. The City needs to get an appraisal and talk to Mr. Mavakos. Mayor Morton requested a written time table with materials to be given to Council. Alderman Rainey confirmed that business points refer to the economic aspects. She said the number one business point is the redevelopment of Fountain Square; suggested it would be helpful if they create a model of the Fountain Square building to be placed on top of the restaurant and wanted to see what is 1,000 ft from the building. That refers to those who have to be notified of a proposed planned development.

At 9:50 p.m. Alderman Rainey moved that Council reconvene into open session. Seconded by Alderman Wynne. Motion carried unanimously. There being no further business to come before Council Mayor Morton declared the meeting adjourned.

Mary P. Morris,
City Clerk