

**Evanston City Council
Closed Session Minutes
Aldermanic Library
Monday, April 28, 2008**

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

ABSENT: None

STAFF: Elke Tober-Purze and Julia Carroll

PRESIDING: Mayor Lorraine H. Morton

START: 11:35 p.m.

Minutes

Closed session minutes of April 8, 2008 were approved as submitted.

Sale of Real Estate - 425 Dempster (former Miller School)

Mayor Morton clarified that Council can discuss sale of this property and the price in closed session.

Alderman Wynne recalled at the last meeting there was confusion about the difference in the appraisals. Interim First Assistant Corporation Counsel Elke Tober-Purze explained that MaRous did an appraisal from wall to wall for the City while the Chiaravalle appraisal included much more. There was a difference of opinion on square footage. She explained that both appraisers came to a consensus based upon the leasehold being in effect which affects the sale price. Different factors go into each method of appraisal.

Ms. Purze explained the method used was the income approach. That takes into consideration \$3.5 - \$3.6 million under the sale approach which is the value of the building, assuming property values go up 2-3% a year (industry standard) for 15 years, the value of the property would be \$5.2-\$5.4 million. The income discounts it back 8% to the cost of money today (another industry standard). The result is \$1.5 million plus the rental stream discounted back to \$400,000. Under Chiaravalle's appraisal the property was worth \$1.8 million and the City's figure was \$2 million. The school agrees they owe for encroachment on the basketball court and have agreed to pay \$77,000 for 1,700 square feet.

Scott, who represents the Board of Directors, asked Ms. Purze to tell Council that they have hired a fund raiser and have cash to pay for the building. Their appraisals included the stairwells. That was not included in the City figure. \$1.9 million was the negotiated price. They need to move the basketball court to enable a new annex to be built at a cost of \$50,000 which they agreed to pay, permit costs of \$75,000 and the extra 1700 square feet brings the price to \$2.1 million.

Alderman Wynne had explained to Chiaravalle that the new annex would have to go through zoning for approval and asked what if they don't get zoning approval. Ms. Purze said the contract has negative reverter language. Alderman Bernstein questioned the \$50,000 figure for the basketball court came from. Alderman Wynne explained there are two half courts with a green strip and it shifts to one court and remove the green strip. Ms. Purze said they want to improve the baseball field in the future and are looking to the neighborhood for support. The baseball field is in Currey Park.

Alderman Rainey asked what was wrong with the sales approach. Ms. Purze explained that is selling already built building on a tract of land. Basically it is selling the property as is. Chiaravalle has pumped \$3 million into the main building. The annex is not in good condition. Ms. Purze said it does not take into consideration how much land is there and is calculated based on square footage only on the building. The architects for Chiaravalle said that using the MaRous sales approach overstated the building square footage and understated the annex square footage. The aggregate number is close. They could not come to an agreement on value using the sales approach. The leasehold has to be factored in. It was thought the lease was for 25 years with two ten years extensions. Someone asked what is left on the lease.

Mayor Morton asked if they agreed with the negotiated sale price of \$1.9 million.

Alderman Moran noted there are costs that are stated as revenue. Alderman Bernstein said the wrinkle is they have a long-term lease at a low rate. The building is not worth that much if they have to capitalize the investment over 35 years at a low rate. They got a sweetheart deal because they improved the property. They could do a square footage calculation. There are different ways to calculate it. He confirmed that they have agreed to pay \$1.9 million.

Ms. Carroll noted the permit waiver is not that but a construction easement. Pending approval of the annex, they will pay \$75,000 for a construction easement. Alderman Wynne said they would do staging in the park. Payment is \$1.9 million at closing, and Chiaravalle will invest \$200,000 in the next annex, then pay for the basketball court, building permit and construction easement. If they don't get approval of the annex, they won't need a construction easement. Building permit fees were not figured in.

Alderman Rainey said aldermen first saw this at 11:30 p.m. that evening and was not comfortable with it. This is a huge decision. She needed several weeks to examine this transaction. Alderman Moran thought there must be some logic to the pricing of this property – as he looks at this property and its location at \$1.9 or \$2.1 million it. In his neighborhood a neighbor paid \$550,000 for a teardown and new owners built a home for \$1.5 million at McDaniel and Bennett. This is one of the most beautiful areas of the City. The land is worth a lot of money. Alderman Rainey noted if they sold this to a stranger, the lease would be a factor; was formerly an appraiser and has problems with this. Alderman Wynne had the same reaction as Alderman Moran but they have this long term lease. She asked for a copy of the lease so they can understand why they have to take that

into account. Alderman Moran noted the cost approach is \$8.5 million and then they get down to \$1.9 million and he wondered what happened. He did not understand it. It is encumbered by a lease.

Alderman Bernstein said that Chiaravalle cannot afford to pay what the property is worth. Alderman Jean-Baptist suggested they approach it from the standpoint of the real value; their offer and what Council wants to do. He proposed they take this up in two weeks. Alderman Wynne noted the first time they came Council rebuffed them. Then Chiaravalle said they wanted to raise money to re-do the annex and had to own it in order to raise money for that. Ms. Purze will obtain copies of the lease for Council members.

Mayor Morton commented that Chiaravalle may have felt the City was very benevolent because of the liberal lease given to them by the City.

Sale of Real Estate – Library Parking Lot

Alderman Wollin explained that the John Buck Company proposes to build a residential rental building on the library parking lot. The building would be 180 feet high; have 20 residential floors and include parking. 150 units are proposed plus a walkway to underground parking at the library. He would consider an outright sale or a limited partnership. It is zoned as R6 and he needs D4 zoning. Ms. Carroll asked if they were willing to consider sale of this property? No retail is involved. The same amount of parking as the surface lot has now will be retained. If Council is interested, they need to get an appraisal, the next step. Alderman Wynne noted they are not promising a zoning change. Ms. Carroll stated staff will get an appraisal.

Personnel

Ms. Carroll passed out a letter and announced that she was submitting her resignation as City Manager due to personal health reasons effective June 27. She recognized it is a difficult time for the organization and will bring back a transition plan in two weeks. She asked this be kept confidential until she announced it to staff. Council accepted her resignation.

Personnel

Mayor Morton explained the procedure of applicants for the job of City Clerk. Only one person had the qualifications to take on the job at this time. Because Emily Guthrie is a good friend, the Mayor had some concerns about her being political. She understood that Guthrie is not interested in running for the office and agreed to give up service on the Preservation Commission. Mayor Morton recommended Emily Guthrie. Aldermen did not accept her as the interim appointed clerk. Mayor Morton urged that an appointment be made so the individual could receive training from the City Clerk. Alderman Rainey stated there has to be somebody at the Civic Center who could serve and asked for 48 hours to come up with a name.

There being no further business to come before Council, Mayor Morton declared the meeting adjourned at 12:40 a.m.

Mary P. Morris, City Clerk