

**Evanston City Council
Closed Session Minutes
Aldermanic Library
Monday, November 24, 2003**

PRESENT: Aldermen Wynne, Bernstein, Tisdahl, Rainey, Newman
 NOT PRESENT AT
 ROLL CALL: Aldermen Kent, Moran, Feldman, Jean-Baptiste
 ABSENT: None
 STAFF: Judith Aiello, Maureen Barry, Roger Crum, Herb Hill, Bill Stafford, Ellen Szymanski, James Wolinski
 PRESIDING: Mayor Lorraine H. Morton
 START: 6:52 p.m.

Alderman Wynne moved to convene into Closed Session to discuss matters of litigation and minutes pursuant to 5 Illinois Compiled Statutes 120/2 (c) (11) and (20). Seconded by Bernstein.

Roll call. Voting aye – Wynne, Bernstein, Kent, Tisdahl, Rainey, Newman. Motion carried. (6-0). No nays.

Minutes

Closed session minutes of November 10 2003 were accepted as submitted.

Litigation – foreclosure sale – 1817 Foster

Community Development Director James Wolinski reported that this two-unit building was vacant several years ago and in bad shape. Louis Gonzales, a local contractor, bought the building and through the Mayor's Special Housing Fund obtained a 30-year \$67,000 rehab loan at 3% interest in December, 2001. The rehab went well and the building is in good shape but financially Mr. Gonzalez is not in good shape with the first mortgage lender and also had failed to make payments to the City. The property will be sold at a foreclosure sale the first week of December. The City has about \$68,000 at risk with a \$155,000 first mortgage on the property. In some cases the City would simply want to get its money back but in this case since the property has been rehabbed, in good shape and fully occupied, staff recommended using the Evanston Housing Coalition which the City has used in the past for a subsidy. The City would subsidize them as opposed to the City purchasing the building. The way the City could save its investment is to credit the \$68,000 and come up with about \$155,000. Staff has talked with George Gauthier, Evanston Housing Coalition and he is in agreement. Mr. Gauthier has been looking for a small property to maintain and rent. Staff asked for review and approval to advance from the Mayor's Special Housing Fund and HOME funds to Mr. Gauthier up to \$278,000 to purchase the property. He would return the City's \$68,000. Mr. Wolinski pointed out possibly the property could sell for less. The property is valued at \$260,000 so less may be needed. There could be other bidders so he recommended going to \$278,000. Costs were on a separate spread sheet. Once Mr. Gauthier owns the building and returned the City's money he would go for private financing to secure a portion of the remaining \$210,000 of HOME funds and return to the City.

Alderman Wynne asked if tenants met income guidelines. Mr. Wolinski said there is one Section 8 tenant and was not sure about the other. Alderman Kent asked how the City got in this situation because Gonzales's record was checked and he had done many rehabs where he created affordable housing. Mr. Wolinski thought that Mr. Gonzales was overextended; had done several condominium conversions and was not making any payments. He has a decent track record but there is always some risk. Alderman Rainey commented that he did a conversion in the 8th ward. Owners there dislike him because he did not complete jobs. (At this time Alderman Feldman was present.) Alderman Rainey recalled that Mr. Gauthier de-converted a building on Clyde Avenue and did everything he said he would which was very successful.

Alderman Kent said of all developers that the Evanston Housing Coalition has worked with the community; felt sorry for the property because all developers have shortchanged it, the City and community. Mr. Wolinski said a concern is that somebody will buy this property who will milk it and return it to a shambles. The City does not necessarily want to own it. Alderman Kent thought EHC was the best choice.

Alderman Rainey asked if there was any way a deal could be worked in which this property could become owner occupied affordable housing. Mr. Wolinski said they discussed with Mr. Gauthier whether he could convert this to a condominium. Mainly he is in the rental business. Alderman Kent said if there was an opportunity to do what she suggested, because the EHC owns a number of houses in the 5th ward, they have tried to get into that because they have long term tenants. He did not see why it could not be worked out. Alderman Newman commented that this deal underscores the difficulty of the City's involvement in affordable housing. He did not mean to be pessimistic but noted this was the second time around. Mr. Wolinski pointed out there is always some risk involved. Alderman Newman agreed but they are in for \$68,000, now another 200,000, then they get the \$68,000 back and end up with two units. Every time they spend \$200,000 or more and end up with two units was like scratching on the wall. It is hard for the City to have an impact because it is so expensive. Fortunately this is federal money instead of property taxes which makes it a little better.

Alderman Bernstein stated that the City can recoup its \$68,000 and that HOME funds provide two units for a lot less money. Alderman Newman saw this as changing ownership from a bad guy to a good guy. No more housing is created. Alderman Bernstein noted they are at least keeping housing. The alternative is to let somebody buy the property through the City. Alderman Newman was not pleading not to do this but trying to draw something from this. He saw it as an incredibly expensive proposition for the City with little bang for the buck, a lot of risk and limited impact similar to some other ventures.

Alderman Rainey suggested the alternative would be to buy this property and sell it as two units for affordable housing and recoup the City's money through first time homeowner/mortgage program for qualified low-moderate income people. The City would not have to make a profit. A three bedroom house for \$130-140,000 is a real find. She suggested the City do it through Mr. Gauthier or buy it. Mayor Morton noted the City then would be a rent collector. Alderman Newman pointed out the City has been the rent collector with Gonzales on the loan. Alderman Rainey thought this was perfectly priced property for affordable housing. Alderman Bernstein asked if they could find out how long the lease terms are; thought that theoretically they could convert to two condominiums and be on the spring market if tenants were out. (Tenants need 180 days notice.) They could go with George Gauthier or buy it and sell it.

Alderman Newman moved to turn the matter over to Mr. Gauthier. Seconded by Alderman Rainey. There was no opposition.

Real Estate Report

First Assistant Corporation Counsel Herb Hill reported that the Vineyard Church is interested in purchasing a portion of the Shure Brothers property and the Ridge property owned by the Vineyard would be sold to another entity that would put it back on the tax rolls. To accomplish this, attorneys for the Vineyard Church suggest that the existing Agreed Order be amended because the Shure Brothers property does not allow religious institutions as of right and requires a Special Use. They asked that the Agreed Order be amended to provide zoning for the Shure Brothers portion of property and to agree to some subdivision of the property. They want this done by the end of 2003 so something will be done at the next Council meeting.

Alderman Feldman asked if this is the same property that a developer is interested in for condominiums. Alderman Rainey explained it is one half of it. She said there are other problems with this property – millions of dollars of soil contamination have to be cleaned up. She thought both could do a project. The contamination is on the eastern end of the property. City Manager Roger Crum stated that Vineyard would take the west portion of the property. Alderman Rainey encouraged Council to reject this request and avoid the Special Use process because neighbors there have been involved with this property for years and need to have the traditional process. She supported the Vineyard Church being there on the western half of the property but did not favor altering the agreement so they can avoid the Special Use process. It was agreed to tell the Vineyard Church that so they are not surprised.

There being no further business to come before Council, Mayor Morton adjourned the meeting at 7:10 p.m. Alderman Feldman moved to reconvene into open session and recess. Seconded by Alderman Rainey.
Motion carried. No nays.

Mary Morris,
City Clerk