

# Funding problems delay tower

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Downtown Evanston will see its tallest high rise yet - but not until the economy improves.

Despite a green light from the Evanston City Council in March, developers of the proposed 35-story "Fountain Square Tower" at 708 Church St. have been forced to put off breaking ground in light of the nationwide recession. The tower is one of a number of Evanston condominium buildings that have been hindered by the slump, including completed projects unable to pay off construction loans or finish building.

"We're sitting tight until the residential market comes back," said Justin Pelej, director of design and development at Focus Development, one of the project's developer. "There is nothing really happening right now."

Before construction begins for the 385-foot building, Focus and Klutznick-Fisher Development - the other Fountain Square developer - must secure a building permit and financing from investors, which becomes more difficult in times of economic stress.

"You can't start a residential building until you have sales and the kind of markets to warm it," said Pelej, who added that he feels confident the market will bounce back by the 2013 deadline. "From a finance and business stand point, we don't really do that."

Developers and proponents of the controversial proposal counted on the new development to attract more residents and consumers to bolster the downtown economy, but some opponents cited the standstill as a reason to oppose the project's approval.

"The space will sit empty, which will also hurt our tax base," said Ald. Coleen Burrus (9th), who said she opposed the project before the council approved it, although she had not yet taken office.

Revenue from building permits in Evanston are projected to be \$800,000 below budget this year, according to a financial review of the first quarter presented at last week's council meeting.

"This is a very difficult time for everyone doing new development in Evanston, for the same reasons it is anywhere else," said Jonathan Perman, executive director of the Evanston Chamber of Commerce. "Prices have fallen. Demand has fallen."

According to forecasts by the Illinois Association of Realtors for June, July and August, sales for condominiums and single-family homes in Illinois are expected to decline

between 16 and 24 percent from last year.

"Part of the problem with these new developments (is) a lot of lenders are not loaning to buyers who want to buy these new developments unless they're 70 percent closed," said Tim Pareti, realtor and appraiser at Rubloff Residential Properties.

The recession has attacked developers from the top and bottom with neither enough demand to obtain funding nor enough funding to move forward.

"It's almost impossible to (obtain financing) if you're not 70 percent sold," Pareti said.

Some completed condos in Evanston have become casualties of the market.

Developer Thomas Roszak started construction in 2004 on the Sienna Court Condominium Complex, a four-building community on Oak Avenue. But when pre-sales never materialized for the third phase of building, Roszak sought and subsequently failed to obtain approval for a rental building and hotel. The Roszak/ADC, the development company, petitioned for Chapter 7 bankruptcy protection in June after struggling to pay off loans. Roszak did not return e-mails or repeated phone calls.

Across the street, in the first foreclosure case of a completed Evanston condominium development, Northbrook Bank & Trust Co. sued Ferris Homes in April for foreclosure on the Grand Bend at Green Bay, a 49-unit complex near the intersection Green Bay Road and Ridge Avenue.

With only 11 units sold, Grand Bend allegedly failed to make payments on a 2005 construction loan. Andrew Ferris, president of Ferris Homes Inc., declined to comment for this article.

In spite of low sales and scarce financing, one high rise project seems to be braving the steep decline better than others. The developer of the 15-story Winthrop Club on Benson Avenue is confident that the building's LEED Gold Certificate - the first in Evanston - and high quality features will help sales.

"The recession definitely affects all of us, but I'm optimistic because we have a unique product, and we don't have many competitors," said Winthrop Properties co-founder Ibrahim Shihadeh. "All existing buildings are less in quality than our building."

With financing in place and approximately 38 contracts sold, according to Shihadeh, the 96-unit project officially opened Wednesday.

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