



Burlington Community Development Corporation

8/4/2014

Burlington Community Development Corporation (Monday, August 4, 2014)

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Members Present: Mr. Miro Weinberger, President; Ms. Joan Shannon, Vice President; Ms. Sharon Bushor, Ms. Jane Knodell, and Ms. Karen Paul, BCDC Members; Mr. Bob Rusten, Secretary/Treasurer

Also Present: ACAO Rich Goodwin; Mike Kanarick, Mayor's Office; Kathy Boe, English, Carroll, and Boe (via Phone)

Meeting called to Order at 5:05pm

1. Agenda

Action: 1.01 Approve/Amend the Agenda

Approve the Agenda

Motion by Joan Shannon, Second By Karen Paul

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Karen Paul, Jane Knodell, Sharon Bushor

2. Public Forum

No one came forward to speak

3. Approval of the BCDC Minutes

Action, Minutes: 3.01 May 28, 2014

Approve the Minutes

Motion by Jane Knodell, Second by Joan Shannon

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Karen Paul, Jane Knodell, Sharon Bushor



Burlington Community Development Corporation

8/4/2014

4. Expected Executive Session

Action: 4.01 Westlake Lease Agreement

Bob Rusten, Secretary/Treasurer, stated they have spent time investigating the financing of the Westlake Garage Section C-1. Looking at what they know, the total cost of the garage was \$3.5 million to construct. They determined that the cost of the C-1 section was \$1.7 million. Kathy Boe, English, Carroll and Boe, stated the garage is being used by a condominium building. The condominium building has more than one garage. CAO Rusten stated the City financed the \$3.5 million. The City agreed that it would reduce what was owed to it for the C-1 section by \$448,000. Westlake agreed to pay \$448,000 prior to closing. With that payment on the total of \$1.7 million, the amount due to the City was about \$808,000.

Joan Shannon, Vice President, inquired when that was agreed to. Mr. Rusten stated that was agreed to in 2007. Part of the agreement was that Westlake was responsible for closing costs and this was rolled into the financing. The financing ultimately was \$936,000. The property was transferred to BCDC in 2007, meaning BCDC owed a City capital account \$936,000. The lease agreement talked specifically about rent. Westlake is supposed to pay BCDC \$72,000 per year in rent for twenty years, totaling \$1.4 million. They also are required under the lease agreement to purchase the garage at the end of the term for \$448,000. They essentially will pay \$1.8 million. The profit for BCDC would be \$1,808,000 minus the \$936,000 that will be owed to the capital account. This amounts to \$951,000. This was set up so that BCDC would keep that money. Westlake has made eight payments of \$72,000 so far. The difference between the total they are supposed to pay and what they have already paid is \$1.3 million. There is an amortization schedule that shows what BCDC is to be paying to the capital fund. That shows that they owe \$770,000 to the capital fund. The capital account shows that they owe \$409,000. This is because they have been putting more in principal into the capital account than the amortization schedule would show BCDC should have been. The amortization schedule is based on a 7% interest rate. The capital account which was set up by the auditors uses a 2% interest rate.

Ms. Bushor requested further information. Mr. Rusten stated they have been receiving \$72,000 per year. Under a normal amortization schedule, a portion of that is principal and a portion is interest. The amortization schedule uses a 7% interest rate. However, the auditors said that was too high of a rate, and felt it should be 2%. That did not change the fact that they were receiving \$72,000, but it did change how they are splitting it out. They have been putting more money into the capital account than the amortization schedule says that they should. The positive of that is BCDC only owes \$409,000. Westlake also pays \$6,000 per year into a capital reserve fund, which is meant to help pay for capital expenses in this section of the garage. The lease says that if they have not used that money at the time they purchase the garage, they are to return it to them. BCDC has not put that money into a separate reserve fund, but into pooled cash. BCDC has not spent any money in the last eight years on capital. They confirmed with the auditors that there is no additional money owed by BCDC to the City as it relates to the garage other than the \$409,000.

Mr. Weinberger inquired if money is owed for the \$3.5 million of financing. Mr. Rusten stated BCDC does not owe that money and it will be financed through TIF funds and pooled cash.

Ms. Shannon stated the garage cost \$3.5 million to construct and the City agreed to reduce the money owed for C-1 construction and inquired what the reduction was. Mr. Rusten stated it was a 47% reduction of the overall cost of the garage related to this one section. That came out to \$1.7 million. He does not know why the City made a determination that they were going to reduce the cost by \$448,000. Ms. Bushor inquired if the cost was reduced because spaces were made available to the public. Ms. Boe stated she does not believe so. It looks like the City and Westlake went through a number of agreements to get this built. The City and Westlake both put \$448,000 into construction so the project could move forward. It was a political or financial decision that the City made. Ms. Shannon inquired if there will be a remaining amount due to the City at the end of the twenty years when they have the ability to buy the garage. Ms. Boe stated the entire project cost \$3.5 million, but this portion of the garage was only \$1.7 million. From the \$1.7 million, they still owe \$808,000. Initially, it appeared the City was hoping that BCDC would get financing to pay the City in full. BCDC would have



Burlington Community Development Corporation 8/4/2014

then paid a bank loan, but it appears they were unable to obtain that financing. CAO Rusten stated that BCDC owed \$936,000 with closing costs. This was financed by the City and will need to be paid back by BCDC. BCDC is paying this money from funds it is receiving from Westlake. Ms. Boe stated Westlake has a lease which allows them to use the space. There is an interest component as part of the lease because as a part of the lease they will ultimately purchase the property. Ms. Shannon inquired what BCDC owes the City. Mr. Rusten stated BCDC owes the City's capital about \$409,000 because BCDC has been receiving revenue from Westlake and putting it into a capital account. Ms. Boe stated when BCDC collects rent, it pays the City.

Go into executive session to discuss real estate negotiations

Motion by Joan Shannon, Second by Jane Knodell

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Karen Paul, Jane Knodell, Sharon Bushor

The BCDC members voted to go out of executive session.

5. Adjournment

Without objection, Mr. Weinberger adjourned the BCDC meeting.