



**CITY OF BLOOMINGTON
parks and recreation**

AGENDA

City of Bloomington Board of Park Commissioners
Special Meeting: Monday, October 4, 2010

McCloskey Conf. Room
401 North Morton

CALL TO ORDER - ROLL CALL

A. PUBLIC HEARINGS/APPEARANCES

Public Comment Period

B. OTHER BUSINESS

The Board of Park Commissioners will meet on Monday October 4, 2010 from 4:00 – 5:00 p.m. in the City Hall McCloskey Conference Room. The purpose of this meeting is to discuss the proposed changes to the Project School lease agreement.

ADJOURNMENT



CITY OF BLOOMINGTON
parks and recreation

A-1
10/26/10

Board of Park Commissioners
Regular Meeting
Minutes

Monday, October 4, 2010
4:00 – 5:00 p.m.

McCloskey Conference Room
401 N. Morton St.

CALL TO ORDER

The meeting was called to order by Mr. Carter at 4:10 p.m.

Board Present: John Carter, Les Coyne, Joe Hoffmann, Jane St. John

Staff Present: Mick Renneisen, Judy Seigle, Kevin Robling, Margie Rice

Others: Daniel Baron, Project School representative; Ken Ritchey, ONB Loan Officer; Jon Anderson, Bond Counsel for Project School

A. PUBLIC HEARINGS/APPEARANCES

No public comment at this time.

B. PROPOSED AMENDMENTS TO THE PROJECT SCHOOL LEASE

Mr. Renneisen stated that staff was approached by the Project School's representatives to amend the lease as they continue to make improvements to the facility formerly known as the Adult Community Center at 349 S. Walnut. Over the course of several discussions, the City's Legal team, along with Parks staff, determined what adjustments to the lease they were comfortable with making. These suggestions were sent via e-mail to the Project School's representatives on September 28. Just prior to today's meeting, a document was received back from the Project School that differs somewhat from the City's original proposal.

Mr. Anderson addressed the Board and stated that, as previously discussed, the Project School is now in the process of obtaining financing for the remaining \$1 million of their renovation project. Old National Bank has issued a letter of commitment to finance the money provided the value of the lease hold is sufficient to support this loan. This financing allows for the federal government to pay 5% of the interest on the bonds for 15 years. The current lease hold value appraisal came back at \$900,000 and 80% of that is \$720,000. If the bank finances \$720,000 on a 15 year amortization, they would shift \$280,000 to equipment and a five year amortization and it doubles the debt service obligation of the school from \$55,000 per year to \$106,000 per year. He stated that the goal of the Project School, without harming the financial impact to the city, is to find a way with the lease to increase the value of the lease by placing some caps and determining values on some open ended points of the lease. The current lease escalates years one through ten and ends up at \$120,000 in year ten. However, the options say that future amounts can be negotiated by both parties. In order to obtain favorable financing, future lease payments need to be more determined. In addition, language to the lease that allows new tenants to repay the loan also increases the value of the lease. Mr. Anderson proposes that the lease payments for years 11-15 be flat-lined at the year 10 amount of \$120,000. There is nothing in the lease that addresses the lease amounts beyond year 10. At year 16, he proposes that the lease be adjusted to the current CPI for another five years with a 5% cap on those adjustments. This gives the appraiser a certain number that gives value to the lease for years 11-15. This helps the City by enhancing the school's ability to perform, enhances their ability to pay the lease, enhances the school's ability to refinance a seven year note from IFF while not diminishing the value of the lease.

Mr. Coyne asked if this shifts the risk to the city.

Mr. Anderson stated that it does increase the risk somewhat, but the city had already entered into options to renew the lease for five year terms.

Mr. Hoffmann stated that this is not about what are the best terms to help the Project School succeed; the question is about what is the fair way for all involved. However, he stated that he is finished being called into special meetings and then waiting for people to show up. He stated that every other piece of business that the Park Board handles is placed on their monthly agenda and is done at a public meeting. Regular Park Board meetings are scheduled months in advance.

Mr. Hoffmann stated that it makes sense to make this proposal work for the school. He is concerned about a couple of things in the proposal. 1) The city must have some control in the occupancy provision and who uses the facility should the Project School default on their loan. 2) In section 4.4 he has concerns that the proposed lease locks the city in to the \$120,000 payment for, not only years 1-10, but also years 11-15. In addition, hooking the lease payment to the CPI and capping it at 5% during the five year period may not be in the city's best interest. 3) If 20 years is what is required by the bank to obtain the desirable lease value and loan, then he would like to see the agreement be a 20 year lease agreement.

Mr. Robling stated that he is not happy with negotiating a lease with amendments that were received 20 minutes before the meeting started.

Ms. Rice stated that the city offered CPI as a predictor to the lease agreement. The city did not agree to flat-lining the rent. She stated that she anticipated the rent would increase each year during years 11-15 using CPI as the increase amount.

Mr. Hoffmann stated that it sounds as though staff is not yet ready to approve the amendments as presented. He added that staff and the Project School representatives should negotiate the lease and present it for approval at a later date.

Mr. Anderson stated that the amendments must be approved by October 15 so they can close on the loan on that date.

Ms. St. John stated that she also feels that a decision on the amendments is being rushed and the Board and staff have not had time to review the proposal.

Mr. Renneisen asked Mr. Anderson if the city's proposal to flatten the lease payments to \$88,125 from year 3 forward and not apply the CPI increases had been considered.

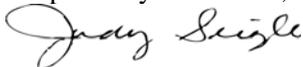
Mr. Anderson stated that the appraiser has reached the valuation based on the present value table and the higher lease payments during the early part of the lease payment throws off the value of the property.

Mr. Hoffmann made a motion to adjourn the meeting and allow the attorneys and staff to renegotiate the lease amendments and schedule another Special Meeting for Board approval. The Special Board Meeting was scheduled for Monday, October 11 at 4:00 p.m. in the Parks and Recreation Conference room.

ADJOURNMENT

Meeting adjourned at 5:00 p.m.

Respectfully Submitted,



Judy Seigle, Secretary Board of Park Commissioners