

POUDRE RIVER PUBLIC LIBRARY DISTRICT AGENDA ITEM SUMMARY

Name of Requestor: Holly Carroll, Michael Liggett
Appearance Date: March 10, 2014
Time Required: 15 Minutes
Date Decision Needed: March 10, 2014

Agenda Item:

XII. NEW BUSINESS

- B. Authorization for Continued Negotiations re: Extension of Webster House Lease

Objective:

Approve extension of purchase due date for remaining ownership of Webster House Administration Center.

Situation:

In July, 2011 the Library District purchased an undivided two-thirds interest in the Webster House Administration Center (WHAC) and entered into a lease agreement with the Don and May Wilkins Charitable Trust for the remaining one-third interest.

The lease agreement provided the District with the use of WHAC without charge for three years ending July 31, 2014. As of August 1, 2014, the District has the option to renew the lease for an additional three years at an annual rental of \$32,666.62 or purchase the remaining one-third interest for \$450,000.

The Trust has offered to extend the due date for the purchase option for one year provided the District pays them a portion of the purchase price and the remainder by July 31, 2015. Under this extension, the District would pay the Trust \$33,450 this year and \$416,550 in 2015.

Advantages:

This extension does not increase the overall purchase price of the remaining interest in Webster House. By extending the purchase due date by one year, the District has the opportunity to maintain our balance in the Capital Projects Fund and receive investment earnings on this balance for another year.

Disadvantages:

None

Requested Action:

Approve an extension of one year for the purchase of the remaining one-third interest in the Webster House Administration Center and authorize the Executive Director to enter into an extension of the current lease agreement.

Potentially Affected Interest:

Don and May Wilkins Charitable Trust and their realtors.

Level of Public Interest and Participation:

Low

Dear Mike,

This is to follow up matters related to the Webster House and the sale to the Poudre River Public Library District. On behalf of the District's Board of Directors you and John Frey inquired as to whether the Don and May Wilkins Charitable Trust would be willing to consider extending the term to buyout the Trust's interest in the property by one year, to August 1, 2015. I was asked by the Trust to review the request and I find that Article 1.03 of the lease provides for a rent free lease period expiring August 1, 2014, and an option to extend the lease for a period from August 1, 2014 to July 31, 2017 at a rent of \$32,666.62 per year. From our discussions it is my understanding that the Library has a cash shortage based on obligations imposed by the City related to completion of work associated with the Library Park but would anticipate being able to pay the \$450,000 price to purchase the Trust's interest in the property called for by paragraph 4.02 of the lease by August 1, 2015. As I suggested in the past, the Trust availed itself of charitable donations of roughly \$216,000 when the building was purchased and is required to donate these amounts to charitable organizations when the sale proceeds are received, the balance of any funds can be reinvested by the Trust as capital gains.

When the Webster House building was originally acquired the actual user was unclear, after some gyrations, the Trust and Museum entered a usage agreement. The basis for the charitable donations that were taken when the building was purchased were tied to the understanding that the facility would be devoted to public use by the Museum. While recovered amounts treated as donated are not required to be redistributed to the Museum, which was the original donee, the Trust as has been explained, has felt obligations to the Museum. The Trust has also otherwise addressed possible funding of various unrelated Museum projects with organizations which had followed up with the Trust after the Webster House sale.

The Trust recognized that the Library had the ability to extend the lease until 2017 and therefore the only firm commitment that the Trust has made for funding in 2014 that was to have come from the Webster House sale proceeds was a commitment to the Museum to provide lighting for the Museum's new gallery space at a cost of \$33,450. Although proceeds from the Webster House sale were not to be received until August, this amount is payable within the next month.

The Trust has reviewed the Library request and I understand that there would be a willingness, if the Library is able, to have the Library advance the \$33,450 due for the Museum project by March 1, 2014, this amount would be applied against the purchase price. If this can be done, the Trust would be willing to:

- i) extend the rent free period of the lease provided for in paragraph 1.03 for one year to August 1, 2015,
- ii) extend the three year rental option period provided for in paragraphs 1.0 and 4.01 of the lease such that if exercised the period would commence August 1, 2015 and end July 31, 2018,
- iii) reduce the purchase option price provided for in paragraph 4.02 of the lease from \$450,000 by \$33,450 to \$416,550.

These agreements would be contingent on the Library obtaining written consents from the brokers involved in the transaction to extend the due dates of any commissions in keeping with the agreements as outlined. Please give me a heads up if the outlined proposal is worth discussion and if it is not the Trust would be happy to go back to the drawing board to see if we can make something work.

Don and May Wilkins Charitable Trust

Brad March