

Memorandum

City of Lawrence

City Manager's Office

TO: Tom Markus, City Manager
CC: Diane Stoddard, Assistant City Manager
Casey Toomay, Assistant City Manager
FROM: Britt Crum-Cano, Economic Development Coordinator
DATE: December 18, 2018
RE: Consider BTBC request for proposed lease repayment schedule on the BTBC expansion facility.

Please place the following item on the December 18, 2018 City Commission Meeting agenda:

Consider 3^d amendment to the lease agreement between the City of Lawrence, Douglas County and the Bioscience Technology Business Center (BTBC) to extend the lease repayment schedule for the BTBC expansion facility located at 4950 Bob Billings Parkway for one year through 2019, as requested by the BTBC.

Background:

The City and County are partners, along with other stakeholders, in BTBC (Bioscience and Technology Business Center) business incubator facilities and services. In January 2010, the City of Lawrence and Douglas County, Kansas entered into a lease agreement with the BTBC (formerly Lawrence-Douglas County Bioscience Authority) for the building located at 4950 Bob Billings Parkway. Commonly known as the BTBC-West or expansion facility, the City and County agreed to subsidize rent for this facility for the initial years of operations. As per Article V, Section 5.01, the BTBC,

“...agrees to pay as Basic Rent to the City and County on each February 1 and August 1 (each a “Rent Payment Date”) beginning August 1, 2010 through and including August 1, 2014, the sum of \$12,500.00. On each Rent Payment Date thereafter, the BTBC shall pay as Basic Rent to the City and the County the principal portion of Basic Rent as shown on Schedule I hereto plus the Interest Portion of Basic Rent.”

The BTBC submitted a letter dated February 23, 2015, requesting, “...the bond payment structure of the last five years be extended for an additional three years through 2017. Under this proposed extension, the City and County would continue to make the bond payments with semi-annual lease payments provided by BTBC.”

On March 31, 2015, the City Commission considered and authorized the 1st amendment to the lease agreement which extended the BTBC expansion facility's lease repayment schedule for three years, through 2017 as requested.

On August 15, 2017, the City Commission considered and authorized the 2nd amendment to the lease agreement which extended the BTBC expansion facility’s lease repayment schedule for one year, through 2018 as requested.

Annually, since the lease was executed, the BTBC has been paying two semi-annual payments of \$12,500 each (or \$25,000 total per year), with the City and County splitting annual bond payments. Starting in 2019, BTBC rent payments are to include both an interest and principal portion that would cover all bond debt service.

Request for 3rd Amendment:

The City received a letter from the BTBC in April 2018 requesting the previous bond payment structure be extended for an additional year through 2019.

If approved, the extension will provide the City an opportunity to work with BTBC staff and the County on long-term options related to the BTBC expansion facility. Note the City has budgeted for this extension in the 2019 budget, having assumed equal payments from the City and County to cover bond debt service and the BTBC paying a total of \$25,000 in rent for the year.

BTBC West Facility: Annual Rent & Bond Coverage				
	BTBC Basic Rent	City	County	Total Annual Bond Payment
Total Due in 2019	\$25,000.00	\$116,008.75	\$116,008.75	\$257,017.50

As shown above, the BTBC contribution would remain at \$12,500 twice per year (a total of \$25,000 annually) for one extra year, through 2019. The City and County would cover 2019 bond debt service, estimated at \$116,008.75 each. Approval of the request would result in a net decrease in BTBC rent payments of approximately \$232,117.50 for 2019.

A 3rd amendment to the lease agreement along with a revised basic rent schedule has been prepared to respond to the request.

In addition to the City Commission, Douglas County will need to consider approving the 3rd amendment at a future County Commission meeting.

Requested Action:

Approve 3rd amendment to the lease agreement between the City of Lawrence, Douglas County and the Bioscience Technology Business Center (BTBC) to extend the lease repayment schedule for the BTBC expansion facility located near Bob Billings Parkway on Wakarusa Drive for one year through 2019.

BTBC Rent Schedule 2019					
	Date	Payment	Interest	Principal	Balance
Loan	1/1/2018				2,975,000
1	1/1/2018	12,500	-	-	2,975,000
2	7/1/2018	12,500	-	-	2,975,000
1	1/1/2019	12,500	-	-	2,975,000
2	7/1/2019	12,500	-	-	2,975,000
3	1/1/2020	114,500	59,500	55,000	2,920,000
4	7/1/2020	113,400	58,400	55,000	2,865,000
5	1/1/2021	112,300	57,300	55,000	2,810,000
6	7/1/2021	111,200	56,200	55,000	2,755,000
7	1/1/2022	112,600	55,100	57,500	2,697,500
8	7/1/2022	111,450	53,950	57,500	2,640,000
9	1/1/2023	110,300	52,800	57,500	2,582,500
10	7/1/2023	109,150	51,650	57,500	2,525,000
11	1/1/2024	110,500	50,500	60,000	2,465,000
12	7/1/2024	109,300	49,300	60,000	2,405,000
13	1/1/2025	110,600	48,100	62,500	2,342,500
14	7/1/2025	109,350	46,850	62,500	2,280,000
15	1/1/2026	108,100	45,600	62,500	2,217,500
16	7/1/2026	106,850	44,350	62,500	2,155,000
17	1/1/2027	108,100	43,100	65,000	2,090,000
18	7/1/2027	106,800	41,800	65,000	2,025,000
19	1/1/2028	108,000	40,500	67,500	1,957,500
20	7/1/2028	106,650	39,150	67,500	1,890,000
21	1/1/2029	107,800	37,800	70,000	1,820,000
22	7/1/2029	106,400	36,400	70,000	1,750,000
23	1/1/2030	107,500	35,000	72,500	1,677,500
24	7/1/2030	106,050	33,550	72,500	1,605,000
25	1/1/2031	107,100	32,100	75,000	1,530,000
26	7/1/2031	105,600	30,600	75,000	1,455,000
27	1/1/2032	106,600	29,100	77,500	1,377,500
28	7/1/2032	105,050	27,550	77,500	1,300,000
29	1/1/2033	108,500	26,000	82,500	1,217,500
30	7/1/2033	106,850	24,350	82,500	1,135,000
31	1/1/2034	107,700	22,700	85,000	1,050,000
32	7/1/2034	106,000	21,000	85,000	965,000
33	1/1/2035	106,800	19,300	87,500	877,500
34	7/1/2035	105,050	17,550	87,500	790,000
35	1/1/2036	108,300	15,800	92,500	697,500
36	7/1/2036	106,450	13,950	92,500	605,000
37	1/1/2037	109,600	12,100	97,500	507,500
38	7/1/2037	107,650	10,150	97,500	410,000
39	1/1/2038	108,200	8,200	100,000	310,000
40	7/1/2038	106,200	6,200	100,000	210,000
41	1/1/2039	109,200	4,200	105,000	105,000
42	7/1/2039	107,100	2,100	105,000	-
			1,359,850	2,975,000	

Source: City of Lawrence Finance Department, 8-13-18

Attachments:

1. Lease Agreement
2. Cooperative Agreement
3. 1st & 2nd Amendments to Lease Agreement
4. BTBC Request Letter (April 20, 2018)
5. 3rd Amendment to Lease Agreement