

Director's Report

June 2022

Meetings and Visits

I continue to participate in the weekly system directors meetings hosted by the Department of Public Instruction (DPI) staff.

I visited with the New Glarus library director, Amy Trumble, to conduct her new director orientation to SCLS. It was a wonderful visit.

I drove to Cambria for an annual visit with Amanda Wakeman on July 19.

The All Directors meeting was held at the Wintergreen Resort in the Wisconsin Dells in a hybrid format. All fees for 2023 were approved. The Building Needs Assessment meeting immediately followed.

Foundation (SCLSF)

The Foundation Board does not have a quorum for their July 28th meeting. An alternative date will be selected since it is the last meeting before the Cornerstone. Kerrie Goeden and I met with First Business Bank for a quarterly review of the Foundation's account.

Building Needs Assessment Work Group (BNAW)

The SCLS Board last month unanimously approved the *Board Resolution for Offers and Counteroffers* with Chair G. Poulson being the authorized representative to sign and negotiate the terms with the attorney and realtor on behalf of the system. The counter offer of \$2,050,000 was accepted by the seller and the offer includes 90 days for SCLS to research contingencies such as covenants, title review, and ground lease issues, etc. The Building Needs Assessment Work Group and Keller Inc. has begun working on the contingency to-do list that I will detail here.

The SCLS attorney Edward Lawton of Axley Brynson Attorneys reviewed the title, a general ground lease for the area and covenants. On July 6, he emailed his opinion on the general ground lease. "The original term commenced July 1, 2000 and ends June 30, 2050. There are 2 – 25 year options. No rent increase for the first option but a rent increase applied to the 2nd extension option where the rent becomes 9% of the land value at that time. So you can take the lease out to the year 2100." He clarified when asked that the owner has two more 25-year extension options. "It would be both the original term and rights to the extensions that would be assigned. We need to obtain lessor approval to an assignment. The lessor cannot unreasonably withhold consent to assignment. Both original term and extension rights." The seller does have the rights to assign their lease and extensions over to SCLS but it must be approved by Dane County and Dane County Airport. Mr. Lawton also wrote, "I think the lease is clear that both the original term and the extension terms are assigned and transferrable to the SCLS." After the review of the general ground lease, Adam Ussher, Assistant Corporation Counsel – Airport Services for Dane County Regional Airport sent SCLS the specific Lakeland property ground lease. This is being reviewed by Edward Lawton now.

Kerrie Goeden contacted Kim Jones, the Dane County Airport Director, to learn what meetings, reviews and committees we needed to contact and work on as we move forward. Kim Jones put Kerrie in touch with Adam Ussher. He responded with good news and confirmed that Edward Lawton's review and opinion of the general ground lease holds true for the lease specific to the Lakeland University site. He wrote, "You previously asked about the lease term and options to extend. I don't remember if I fully responded to this, so I want to make sure I do so now. The lease has a primary term of 50 years with two options to extend by the lessee for 25 years each. If assigned, SCLS would receive the lease for the primary term as well as both options, should SCLS choose to exercise them." He went on to write "I discussed with Kim and we concluded housing SCLS's administrative offices and headquarters is an appropriate use of the Lakeland building. The contemplated addition to allow SCLS to also run its delivery operations from that property is also an appropriate use, provided there is sufficient space to do so."

Keller and D. Haug are working with various companies to inspect the building, set up meetings with the City of Madison, get estimators working on remodeling costs, creating a timeline of contingencies' deadlines and

conducting an ALTA survey. The ALTA survey will deal with easements, bike paths, access points, air rights and more. This is a more detailed document than a certified survey map. It is a risk reduction measure to avoid walking into a situation with the ground lease where there are issues with the boundaries to the property or legal description to the property or encroachments or easement location issues.

Due to the delay in the timeline and working on two properties, SCLS is exercising the last option of its lease with Delta Properties to extend its lease of the Delivery facility until 11/30/2023. SCLS has emailed St. Johns, the HQ landlord, for options on extending the Biltmore Lane lease. We asked for pricing on staying the same size or if reducing our footprint was possible. The initial response did not indicate any savings or special offers due to our long term affiliation with them.

K. Goeden spoke with Richard Sneider at the Board of Commissioners of Public Lands about possible options to restructure our loan in order to push back its initial March 2023 payment to lessen the overlap between our rent payments and loan payments. We are exploring refinancing with the first payment being in 2024 or an interest only payment in 2023. Mr. Sneider offered that their interest rates have gone up to 4.75%, so a refinance may not make sense. He did ask if an interest-only payment for years 1-2 would help. We have asked for revised amortization schedules of both options to review.

K. Goeden and I met with the Keller Chief Financial Officer, Doug Stecker, and D. Flanigan to discuss the option of Keller owning 25% of the originally designed Walton Commons building. SCLS would then buy the 25% back from Keller in 20 years. We have sent the last 3 years of financial statements to Keller at their request and are setting up a follow up meeting with their CFO and CEO. We will share the proposed terms of this option at the August board meeting for further discussion.

At the last BNAW meeting, the Keller architect shared 2 sketches of the Lakeland University building. Both sketches include a delivery annexation to the existing building. Keller is requesting that we select one of the two sketches by end of day Wednesday so they can start drawing up plans.

Personnel

Dane County Supervisor Jacob Wright has expressed interest in joining the SCLS Board. I said he would be welcome to join to the board. Shannon Ballhorn – Wagner from Dane County has been appointed to the board also. Tim Teelin will be the primary representative for Sauk County on the SCLS Board moving forward.

Good News

The Wisconsin Public Records Board has approved our application to accept their Local Units General Records Schedule as SCLS policy.

All of the SCLS Board of Trustees are signed up to receive the bi-weekly SCLS Online Update via email. It is posted every other week on the SCLS website. This is a short newsletter that is sent to the member libraries. I thought the board would enjoy reading the newsletter to see more details of SCLS trainings, new members and other news.

Respectfully submitted by,

Martha Van Pelt

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