CITY OF STOUGHTON
FINANCE DEPARTMENT
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Date: January 20, 2021

To: Finance Committee

From: Jamin Friedl

Subject: Senior Center Annex

At the October 8th Committee of the Whole budget workshop meeting, Alder Boersma informed those in attendance that at a recent Commission on Aging meeting it was noted that the Senior Center is running out of space. While Alder Boersma expressed concerns related to the lost rental revenue should the City choose to terminate the existing lease agreements, he went on to say this would be a great use of space because it is in fact City property. After concerns were raised regarding the timing of upcoming lease renewal for Unit 1 on the Annex, Alder Boersma stated that this is a priority item and should be discussed as soon as possible due it being a time sensitive issue.

The timeline below summarizes the events that transpired following the October 8th Committee of the Whole meeting.

- October 13, 2020 Finance Committee meeting
    - A summary of the existing leases and annual rental revenues was submitted to the Committee for review (*Packet Attachment 08.3*)
    - Direct McGlynn also informed the Committee that the Annex renovation costs would be fundraised for and not included in future operating or CIP budgets
    - The Committee requested additional financial information relating to lost revenues and renovations costs
- October 14, 2020
    - City staff and the City Attorney discussed the options available to address the upcoming Unit 1 lease renewal, which required notification by November 1st
    - It was determined at this meeting that the path of least resistance would be to terminate all existing lease agreements on their scheduled renewal dates and renew them all through September 30, 2021
    - This is due to the fact that all four existing lease agreements currently have different termination/renewal dates
    - It was determined this would also create a set date at which the space could become available for City use on an annual basis

    - Furthermore, should the City decide to continue leasing this space, this would allow for one effective date for all future rent increases, thereby making these lease agreements easier to administer
- October 27, 2020 Finance Committee and City Council meetings
    - A resolution was passed terminating all Annex lease agreements effective on their termination dates and allowing for an extension through September 30, 2021 (*Packet Attachment 08.4*)
- November 24, 2020 Finance Committee meeting
    - Director McGlynn provided a summary of the rationale for needing the space for Senior Center activities (*Packet Attachment 08.5*)
    - The Committee members requested additional information relating to the following:
        - Cost of renovation options
        - How to recoup lost rental revenue
        - Alternative space available throughout the City that could potentially be used for Senior Center activities
- January 12, 2021 Finance Committee meeting
    - Director McGlynn provided additional information regarding the justifications for regaining use of the Annex along with a renovation cost estimate (*Packet Attachment 08.6*)
    - The Committee members requested additional information relating to the following:
        - Youth Center scheduling
        - How to recoup lost rental revenue
        - Provide relocation assistance to the tenants
        - CLC space availability

The historical information provided to the Finance Committee and City Council can be found in attachments *08.3, 08.4, 08.5* and *08.6* of this Packet. The information below addresses the following:

- How recoup lost rental revenue
- Relocation assistance
- Youth Center scheduling

<u>Lost Rental Revenue</u>

The current Building Maintenance Fund Policy has set the annual funding ceiling at $140,000, while revenues in excess of that amount are to be relinquished to the General Fund at year-end. The amount budgeted in 2021 to be relinquished is $45,000. One option available to the Finance Committee and City Council to recoup the lost revenue to the General Fund is to reduce the max funding amount to the Building Maintenance Fund from $140,000 to $120,000. This would result in a similar amount available to be budgeted to the General Fund on an annual basis.

The table below summarizes how this will look from a budgetary standpoint.

DESCRIPTION	W/ ANNEX REVENUE 2021 AMENDED BUDGET	W/OUT ANNEX REVENUE 2021 AMENDED BUDGET
INTEREST	$ 350	$ 350
RENT INCOME - UTILITY BUILDING	$ 138,919	$ 138,919
RENTAL INCOME-SR CENTER ANNEX	$ 29,700	$ -
RENTAL INCOME - ROOM USE	$ 100	$ 100
RENTAL REVENUE - MSB	$ 26,389	$ 26,389
TOTAL BUDGETED REVENUES	$ 195,458	$ 165,758
AMOUNT BUDGETED TO GENERAL FUND	$ 45,000	$ 45,000
MAX ANNUAL FUNDING PER POLICY	**$ 140,000**	**$ 120,000**

Note - The current budget takes a conservative approach to the amount that will be available to the General Fund at year-end. If all rental revenues come to fruition, the actual amount will be closer to $55,000.

Relocation Assistance

City staff feels this option is not viable for a number of reasons including the optics of special treatment to certain businesses who would not have this provided if they were renting from a different commercial lessor. In addition, the City has not raised rental rates since the beginning of any of these lease terms. The current average market rate per square foot in Stoughton is approximately $12.34. The current rate per square foot at the annex is approximately $9.60. This results in the following annual discounts per unit:

	Square Feet	Annual Rent at Current Rate	Annual Rent at Avg. Market Rate	Annual Discount
Unit 1	662	$ 6,355	$ 8,169	$ 1,814
Unit 2	750	$ 7,200	$ 9,255	$ 2,055
Unit 3	750	$ 7,200	$ 9,255	$ 2,055
Unit 4	938	$ 9,005	$ 11,575	$ 2,570

Youth Center Scheduling

Refer to the following memo provided by Parks and Rec Director Glynn discussing this topic. Direct Glynn will also be in attendance at the January 26, 2021 Finance Committee meeting to discuss this in person as well.

City Staff Recommendation

After reviewing the renovation cost estimates and considering a realistic timeline for fundraising that amount, City staff recommends the following:

- Continue down the path of terminating all lease agreements effective September 30, 2021

- Enter into revised agreements with all existing tenants for a term of October 1, 2021 through December 31, 2022
- Allow for month-to-month extensions following December 31, 2022 in case funding is still not sufficient for the proposed renovations
- Allow for early termination with no penalty for the tenants if they choose to terminate early

CITY OF STOUGHTON
PARKS & RECREATION DEPARTMENT

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Date: January 13, 2021

From: Dan Glynn, Parks & Recreation Director

Subject: Senior Center Programming at the Youth Center

This past December I had a conversation with Director McGlynn about the Senior Center utilizing the Youth Center for programming. I told her it was not a viable option for ongoing programming due to use by afterschool program, the Stoughton Area School District, and Recreation Department Programming. The afterschool program is Monday through Friday from 3:00 pm to 6:00 pm during school days and from noon to 5:00 pm on non-school days. This is the priority use of the building and it cannot be altered.

For those unfamiliar with the building and its use, the City has a lease with Stoughton Trailers where the City pays rent in the amount of the previous year's property tax bill. This allows the City to use the building at a low cost. However, there are stipulations built into the lease the preserves the use of the building for the afterschool program. Any other use of the building needs to be approved by Stoughton Trailers. Stoughton Trailers approved the use of Recreation Department programing the first year of the lease. Other approved uses over the years have included the Lunches for Vikings program and the subleases of the building to Community Living Connections and the Stoughton Area School District.

The current weekly schedule of the second floor at the Youth Center is:

Mondays
8:00 am—Noon, Drop-in Pickleball
Noon—3:00 pm, School District Use
3:00—6:00 pm, Reserved for Afterschool Program
6:00—8:00 pm, Zumba

Tuesdays
8:00 am—Noon, Drop-in Pickleball
Noon—3:00 pm, School District Use
3:00—6:00 pm, Reserved for Afterschool Program
7:00—9:00 pm, Youth Fencing

Wednesdays
8:00 am—Noon, Drop-in Pickleball
Noon—3:00 pm, Drop-in Table Tennis
3:00—6:00 pm, Reserved for Afterschool Program
6:00—8:00 pm, Zumba

Thursdays
8:00 am—Noon, Drop-in Pickleball
Noon—3:00 pm, School District Use
3:00—6:00 pm, Reserved for Afterschool Program
6:00—7:00 pm, Yoga
7:15—9:00 pm, Youth Fencing

Fridays
8:00 am—Noon, Drop-in Pickleball
Noon—3:00 pm, School District Use
3:00—6:00 pm, Reserved for Afterschool Program

Saturdays
Currently there are no scheduled programs due to being limited to COVID restrictions. In the past we have had art classes and various toddler programs scheduled.

Sundays
6:00-8:00 pm, Yoga

The main floor of the Youth Center is occupied by the Stoughton Area School District until 3:00 pm on weekdays and the after-school program operated from 3:00 pm to 6:00 pm. Staff would need an additional 30 minutes to clear the building and wait for late arriving parents.

Based on my experience, programs that have a consistent evening weekday (Monday through Thursday) time are the best attended programs. Based on the openings on the schedule, there is not an available time that would be considered viable thus my recommendation to Director McGlynn. If there were a viable time, it would need to get approved by Stoughton Trailers.

Dan Glynn
Director of Parks & Recreation