

COMMUNITY DEVELOPMENT AUTHORITY

March 15, 2011, 5:30 p.m.

Council Chambers, 224 East Jefferson Street

5:30 p.m.

1. ROLL CALL

The following commissioners were in attendance: Chairman Bil Scherrer, Mayor Bob Miller, Jim Spiegelhoff, Jack Eckola, Judie Lemieux, Jim Peterson Alderman Jeff Fischer arrived at 5:32 p.m. Also in attendance: City Administrator Kevin Lahner, Atty. John Bjelajac, Utility Director Ms. Connie Wilson, Ms. Leslie Scherrer, and Mr. Peter Scherrer of the Scherrer Group, Mr. Frank Canella. Ms. Jenny Trick of RCEDC and the following aldermen: Katie Simenson, Ed Johnson, Bob Prailes, Jim Prailes, Tom Vos

2. PERSONS DESIRING TO BE HEARD

There were no comments at this time.

Due to a conflict of interest, Chairman Bil Scherrer turned the meeting over to Commissioner John Eckola to chair. Scherrer also announced that he would not be part of the discussion or voting on Resolution No 105.

3. RESOLUTION NO. 105 "A RESOLUTION TO APPROVE AN OFFER TO PURCHASE WITH CANNELLA RESPONSE TELEVISION FOR THE PURCHASE AND DEVELOPMENT OF LOT #1 OF CSM 2498 LOCATED WITHIN TAX INCREMENT FINANCE DISTRICT FOUR

Ms. Jenny Trick of RCEDC provided the background in the involvement of RCEDC with the Cannella Response Team. She stated the Scherrer Group had contacted RCEDC in January regarding this area company and was looking to expand. Ms. Trick noted there were competing communities that had buildings available for immediate occupancy. The Scherrer Group provided RCEDC with a review and analysis of the numbers that could make this work.

RCEDC recommended to the City of Burlington that they transfer Lot #1 of CSM#2498 at no cost to Cannella Response Television; provide a \$400,000 forgivable construction loan at an interest rate of 2 percent amortized over 20 years. The loan would be forgivable if the existing jobs were retained and for every job created over the next three years, \$16,000 of the existing principal would be reduced. The city would then request that construction begin within four months. The city would also seek a default clause with a pro-rated repayment of the loan if the company leaves during an eight-year period.

Peter Scherrer of the Scherrer Group then spoke about how in the middle of a recession that Cannella Response Team was creating jobs. He said the Scherrer Group had looked at the old M&I Bank on South Pine Street but that did not work out and there is not much office space available at this time in the City of Burlington but there is a lot of office space in Milwaukee. Scherrer also spoke about how the majority interest in this company had passed to a private equity company in New York yet; Mr. Cannella was intent upon keeping the headquarters in Burlington.

Mr. Keith Pollek, President of Fox River State Bank spoke in favor of this project and encouraged the CDA members to support it.

Ms. Jennifer Zerniak, 624 Maryland Avenue, an employee of Cannella Response Team spoke favorably of being one of their employees and enjoyed working for a company that is family friendly. She sincerely hoped the business would remain in the city.

Ms. Maxine Handrick, 308 Donald Drive questioned what was going to be asked of the city residents. She commented that the hotel was supposed to have the money and now they don't. She did not feel the public knew about these deals until afterwards. She was concerned with how many outstanding loans the city has and what we are giving this company and what we are getting in return.

Mr. Greg Roth, Principal of Catholic Central spoke in favor of the project and how it provides jobs for the graduates of Catholic Central and Burlington High School.

Mr. Jim Cowan, 6901 Spring Prairie Road commented that it was good people creating good jobs and he could see no down side to this opportunity.

Mr. Joe Busch, 1021 Cooperhawk Drive commented that Cannella Response Team was a fantastic company that employed a lot of local people and supported local business. It was his understanding that credits coming back to the company are being funded through the TIF and State of Wisconsin. He questioned if the laws/rules had changed pertaining to TIF District because it was his understanding that once the TIF's are closed, the benefit at the end goes back to the State of Wisconsin and does not stay locally. He further stated that if there are some credits given down the road and they can be financed through the TIF and Burlington is not going to see a majority of that in increased tax revenue, he thought it was a fantastic way to keep jobs and add jobs.

Mr. Jim Weis, 2600 Cedar Drive, Burlington, spoke favorably regarding Cannella Response Team. As president of Mays Insurance and being right across the street from Cannella Response Team, he considered them to be good neighbors and a high profile business that the city should be doing everything possible to assist them.

Mr. Claude Lois, 117 Monica Court, Burlington said there were a lot of reasons why this is a good deal for the community. He went on to state that the TIF's were started in the industrial park and the council worked very hard to attract business here; statistically, retaining companies is the hardest thing a city can do. Lois felt that the number one reason for attracting companies to our area is our workforce. He felt that Burlington has always been on the cutting edge in comparison to other communities but, Burlington is growing and those other communities are not. Lois then asked for the CDA to support this project.

Mr. Harry Otter, 201 Ridgeview, Burlington, owner of Otter's Sales and Service on the north side of town spoke next. He said that he appreciated and respected Frank's efforts to increase his business but he was a little concerned with the city giving \$16,000 per employee off of the loan with no stipulation where that individual should live. He could not see the money being returned to the community if they live elsewhere. But, the one thing that bothered him the most was giving away the property and then providing free installation of sewer and water. When his business came into the city, he and many other businesses in that area had to pay \$29,000 each. He reported that the property taxes in the city are \$12,000 more than in the Town of Burlington. He wished the Cannella Response Team the best, but he felt that the city needs some return on investment.

Ms. Maxine Handrick, 308 Donald Drive questioned how much the loan will be and what the amount of return is to the city.

City Administrator Kevin Lahner addressed the issue of the loan. He stated it is a \$400,000 loan at two per-cent interest. The forgivable provisions are \$16,000 for every new full time job that is created. It is funded through the TIF IV funds.

Mr. Robert Medved, 1200 Orchard, CEO of Cannella Response Team commented that this is not Frank's project. Controlling interest of the company had been sold to a private equity group from New York in June of 2009. The company is looking for what's best and would like to keep business in Burlington. He stated that last year, five employees that were hired were from Burlington which he felt should be recognized, but he couldn't guarantee that all future employees would be from Burlington.

Mr. Frank Cannella, 347 52nd Street discussed a critical part of the contract which says that the company must remain in Burlington for eight years.

CDA Member Mr. Jim Peterson had some concern about the one dollar price on the property. He understood that there is a difference between blighted properties and selling a lot in a developable subdivision. He said this particular lot is located next to the Water Department Building and in light of the fact that there has not been much property sold in the last three to four years if Frank would not consider a sale price of \$3,000 to \$3,500 per acre rather than the one dollar price.

Atty. Bjelajac said that this is not the time to negotiate the offer presented but the offer needs to be looked at and if it isn't in the best interest of the city then don't accept it. If it is in the best interest, then accept it.

Administrator Lahner explained that when the city was putting together the deal, it was asked what the gap was between building a new building in the city or moving into an existing building in the greater Milwaukee area. Once that gap was determined, it was a starting point for discussion. What the deal does with the land and the incentives is if they perform, it makes up more than half of that gap.

Mayor Miller in wanting to put the CDA member's minds at ease, thought it might be in the best interest to revisit the price tag. He said it might not be appropriate, but it might make the CDA members more comfortable and at least be able to counter the one dollar offer if they so choose.

Atty. Bjelajac commented that if it is the pleasure of the CDA not to accept the offer as drafted and presented by the buyer then the CDA should take steps to defer on the matter but he was not sure if the offer would exist at a later date. His advice was if it was determined that it is in the best interest of the city then vote for it; if it is determined not to be in the best interest of the city then deny.

Mr. Frank Cannella responded to the CDA members by saying that the most disheartening part that he heard this evening was the fact that this was not the deal Cannella Response Team brought to the city; this was the deal the city brought to Cannella Response Team. He said they have been acting on good faith and have already hired an architect, contractor and have had lawyers drawing up the agreement. He thought between twenty and twenty-five thousand dollars had already been spent on a project that now appeared to be in limbo. He reiterated

that this was the proposal that was brought to them. His final statement was that he was not a developer, but a job creator.

A motion to approve Resolution No. 105 was made by Lemieux with a second by Fischer. Chairman Roll Call Ayes: Miller, Fischer, Eckola, Spiegelhoff, Peterson, Lemieux Motion carried 6-0

5. ADJOURNMENT

A motion was made by Peterson with a second by Fischer to adjourn the meeting. With all in favor, the meeting was adjourned at 6:09 p.m.

Beverly R. Gill
City Clerk
City of Burlington
Racine and Walworth Counties