

MINUTES

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

April 19, 2012

The Leon County Educational Facilities Authority met Thursday, Feb 19, 2012 at noon in the Ballroom in SouthGate, Tallahassee, Fl. pursuant to public notice.

Authority Members Present: Billy Hilaman, Lynn Tipton, Craig Fletcher, Bob Kellam; Randy Guemple, Liz Maryanski, Joe Weil and BOCC liaison Brian Desloge.

Authority Members Absent: None

Others in Attendance: Calvin Ogburn; Terry Madigan; Ray Allen and Viola Cannon representing Coastal Property Management; Randy Husmann, Jason Fort, Jamie Thomas, Ken Mills representing Asset Campus Housing; “B” Bond Majority Representative Tom Johnson and Minority Representative John Halstrom

The meeting was called to order at 12:15 p.m. by Chairman Hilaman.

The minutes of the meetings of January 19 and February 21 were approved with a motion by Randy Guemple, seconded by Lynn Tipton and all were in favor.

The Chairman recognized “B” bond holder minority representative John Halstrom who gave a brief history of his financial experience and a lengthy presentation which involved a number of options of how the SouthGate bond issue could conceivably be refinanced. (A summary of his report including the various options are on file.) He said that this report is available for distribution to bond analysis experts should an opinion be desired by the Authority.

In his report he reported that the property is well managed and in good condition. Operating performance is good and trending upward for the last three years and is projecting a 7% increase in revenue and 10% NOI in the coming year. Cash flows should be sufficient to meet capital needs.

Future payments to the EFA through 2028 are estimated to be \$2.6M which convert to a present value of \$1.8M. In his scenarios Capital expenditures have been increased from \$100K per year to \$400K per yr..

The bond market has improved dramatically over the past year therefore it would be a more favorable time to refinance.

Three potential scenarios were presented:

Continue as we are now – provides EFA with \$1.8M through 2028

Refinance with new tax exempt bonds – Could provide the EFA with as much as \$6M to \$15M depending on market conditions, property performance, and negotiations with the ‘B’ bond holders over the life of the bonds

Sell the property – would provide as much as \$1.3M now.

In response to a question the best time to do a refinancing would be in Oct of 2012.

The Chairman then called on Tom Johnson, who represents the majority of the “B” bond holders, Pinson Financial Services, who control \$15.9 M. He said that starting last year, he has worked with all parties in order to get liquidity for all bond holders. He continues to have a difference of opinion with the minority “B” bond holders as to which direction to take. In his opinion, the firm CBRE is most knowledgeable about properties of this type and continues to maintain that their evaluation of \$20.5 to \$21 M is a reasonable sales price for the property. He said that nothing presented in the earlier Halstrom report has his group moving toward it. Chairman Hilaman then made the observation that the Authority and therefore the property is still in limbo. In answer to Bob Kellam’s question, it was said that all the “B” bond holders must agree prior to any action being taken.

Committee Chairman Joe Weil reported on his activities pertaining to local real estate options. He said that he had met with several professionals in the field, including Ray Allen and Mark Mustian. He has concluded that investors are seeking capital gains, quarterly dividends and an exit strategy. He also said that as opportunities arise, there are a number of local investors, bankers and local officials who have the knowledge and expertise to put an investment package together. At the March Exec Committee meeting he circulated a memo and discussed the point that the EFA would not own, sell or ‘flip’ the subject properties. After reviewing his findings with the EFA Executive Committee, the committee tabled this project and decided to revisit it at a later date.

Potential sources of grants were also discussed by Joe Weil with the Executive Committee, After discussion, the Executive Committee voted to table this activity at this time.

Bob Kellam stated that he is not in favor of developing a project that would create more competition for the current EFA property.

The future of Heritage Grove Lot 11 was then discussed by the Chairman. It was his recommendation that the Authority continue to keep all options open and to revisit this issue as circumstances occur. He emphasized that an ideal development will be that of a ‘turn-key’ type done by one of the many fraternities that have expressed interest. There was discussion that a major obstacle was the sizable down payment required for this type of development.

(Liz Maryanski left at 1:19 p.m.)

The Asset Campus Housing staff then reported on the various proposed renovating activities proposed for SouthGate. New flooring, hallway painting and lighting will be started in the near future and will be done in phases. The management company is in the process of soliciting bids to renovate the dining and lobby area.

Leasing for the fall is now at 58% which is slightly ahead of last year at this time. Participation in the tours of the property have increased this year

Randall Husmann reported that his target date for fully funding the reserve is January 2014. He also reported on his activities in dealing with the trustee. His latest projection is that SouthGate will finish the year without touching any funds which have been received for next year's operation.

Coastal Property staff circulated their quarterly report (copy on file). They said that they are now 99% occupied and 87% preleased for this fall which is much higher than this time last year. It is anticipated that each building will be at least partially occupied by a fraternity. Again, the Authority was informed that water and sewage will be individually billed to the tenant next year thereby saving the property approximately 3% or \$7,000 per month. It was also reported that the Tallahassee market is very soft and some properties are experiencing occupancy rates as low as 20%, even with specials being offered. A waiver for the coverage ratio requirements has again been requested from ACA and it is anticipated that it will be approved. A food service vendor is now under contract and should start food service later this month. A draw request of approximately \$100,000 has been made to fund exterior painting and minor repairs. In response to a questions, it was reported that some 20% of the Heritage Grove residents are participants in the Florida Pre-Paid program.

The Authority Counsel then reported on the following activities:

- His participation in Lot 11
- Completing an update on the individual fraternity individual leases for chapter houses.
- Hazing to now be covered by the EFA liability insurance
- Dealing with a disgruntled tenant who has posted derogatory information on his Facebook website. After discussion, it was decided that no action would be taken to register the logo for Heritage Grove or SouthGate.

Chairman Billy Hilaman reported on several activities:

- His meeting with Vice President Carnaghi and Chief Perry pertaining to the security contract renewal. In his opinion, there will be no modification this year, but in succeeding years, there will almost certainly be a request for increased funding.
- His attending the BCC meeting earlier this month on behalf of the Authority.
- The administrative financial reports have been reviewed by the Executive Committee and no action is needed at this time.

- He informed everyone that the Heritage Grove contract expires in September of 2012. He urged any members who wished to propose any modifications or anyone who wishes to participate in the review of this contract notify the Executive Committee.

Brian Desloge thanked both management teams on their good work and also expressed appreciation to those who have further explained the history and future possibilities of Lot 11.

There being no further business, the meeting adjourned at 1:55 p.m.

Billy Hilaman, Chairman

Calvin Ogburn, Executive Director