

MINUTES

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

July 14, 2011

The Leon County Educational Facilities Authority met Thursday, July 14, 2011 at noon in the SouthGate Campus Centre ballroom, Tallahassee, Fl. pursuant to public notice.

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

Authority Members Absent: None

Others in Attendance: Calvin Ogburn; Terry Madigan; Ray Allen and Viola Cannon, Coastal Property; Jason Fort, Randy Husmann; Jamie Thomas, Mike Defeudis and Ken Mills, Asset Campus Housing; "A" Bondholder Bill Black and "B" Bondholder Tom Johnson; & Brian Moulder and Dan Allen representing CBRE.

The meeting was called to order at 12:20 p.m. by Chairman Kellam who asked that everyone introduce themselves.

Chairman Kellam called on Tom Johnson and CBRE for a presentation. Mr. Johnson said that he and Chris Hall currently own the majority of the Southgate "B" bonds, a portion of which they have held for a long period of time. They have examined the facility and the financial reports and are concerned about the lack of funds flowing to the "B" bond holders both now and in the future. Although he acknowledged Chairman Kellam's letter which said the Authority was not anxious to sell the property, he feels that liquidation would still serve the investors best. He fully understands that publicly advertising the property would potentially hurt lease-up activities. He then introduced Brian Moulder and Dan Allen who gave a presentation on the activities of CBRE. (Brochure on file.) After their presentation, Chairman Kellam explained that the purpose of his letter was to emphasize that even considering a sale would be a very sensitive community issue.

Liz Maryanski then cited the example of Tom Johnson's calling several people at FSU without the knowledge of the Authority, to offer Southgate for sale. His phone calls caused many hours of work for Liz Maryanski and to a lesser extent, other Authority members and the staff. Tom Johnson's response was "it is not the end of the world."

Randy Guemple expresses skepticism at the \$20M proposed sales price. He questioned some of the cash flow projections as well as the low numbers used for capital improvements to maintain the facility as first class student housing. Also, with the current state of the real estate market it appeared that the "cap rate" of 6.75% is too low thereby inflating the estimated valuation of the property. Craig Fletcher was concerned as to whether this had been discussed with the "A" bond holders or not. The response was that should a sale be agreed upon, the "A" bond holders would be paid off completely. Randy Guemple then raised the question as to what is the incentive for the EFA to sell? Terry Madigan then suggested that the Chairman send this issue to the SouthGate committee

for further study. Randy Guemple asked if they had several potential buyers lined up and the response was 'yes'. Joe Weil and Billy Hilaman expressed concern as to what would happen to the management company should the sale occur and suggested that a key man provision be in the sales contract.

Chairman Kellam then directed that this issue would be sent to the Executive Committee to study and add other authority members and financial advisor, Bill Reagan, if necessary. He said emphatically that right now the building is not for sale.

The Chairman then called on Committee Chairman Randy Guemple for a review of the SouthGate budget which was circulated to all. The Southgate staff reported that in the fall the property will be 100% occupied with no single room occupancy and discussed a number of betterments and additions which will occur to the property in the coming year. They also said that prior expenses will be fully caught up by July of 2012 and the reserve fund fully replenished by January of 2014. Randy Guemple then said that it was his committee's recommendation that the budget be approved by a vote of 3 [Guemple, Maryanski and Kellam] to 1 [Weil]. Joe Weil questioned that should fire safety problems arise, would funds be available to correct them. Bill Black responded that his firm had been cooperative in the past to make sure all fire safety issues are addressed properly and it was their goal to see that the property not fall into disrepair, therefore they would work closely with the Authority should a situation warrant it. The Authority accepted the recommendation of the Committee that the budget be approved.

(Break from 1:25 to 1:35 p.m.)

Billy Hilaman introduced new property manager, Viola Cannon. He and Ray Allen then reported that the local market is still 8 to 10% vacant as compared to last year's 18%, however Heritage Grove is 100% leased at \$499 per month per bed. Also giving concessions to induce rent up is fading away and several properties have now been sold. It is anticipated that there will be 1000 new beds available in the community next year. There are now fraternities in all Chapter Houses. Once again the management company will ask for a waiver from the insurance company, ACA. The absorption of the ATO CAM fee of \$34,560 a year continues to be a concern. It was said that the debt service payment will increase by \$34,000 for the next year. The reserve continues to be fully funded.

The engineer's report stated that several items need to be repaired, such as decks. And several spots on the facade. There also is a need for some exterior painting. Other items to be addressed in the future are case goods, bed frames, pool refinishing, water and sewer waste reduction. The property is currently 99% occupied with a waiting list for the fall. Heritage Grove Chairman, Billy Hilaman recommended that the Heritage Grove budget, which was previously approved by the committee, be accepted as presented. Without exception the Authority agreed. The committee said that they are continuing to work on a mobile food contract and a possible free standing restaurant for the complex. Terry Madigan then said he had had a recent conversation with an ATO representative and it was reported they are continuing to search for buyers for that property.

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The minutes of the meeting of April 14, 2011 were approved with a motion by Billy Hilamin, seconded by Craig Fletcher and all were in favor.

It was reported that D&O insurance has been purchased for the Authority. A motion made by Joe Weil that \$15,000 of the administrative fund be separated and set aside to pay for any deductible, should any claim occur was seconded by Billy Hilamin and all were in favor.

Terry Madigan said he is continuing to monitor the IRS activities and that it is his understanding that the agent plans a site visit to Heritage Grove sometime this fall.

The flow of scholarship funding was discussed and it was agreed that the money for the TCC scholarships will flow through the Biletnikoff Award Program. This was agreed without objections.

Terry Madigan then presented Resolution 11-02 which amends the attendance policy and the meeting notice provisions of the Authority. All were in favor. [copy attached.]

There being no further business, the meeting was adjourned at 2:06 p.m.

Robert E. Kellam, Chairman

Calvin P. Ogburn, Executive Director