

## SUMMARIZED MINUTES OF THE PUBLIC FINANCING ADVISORY COMMITTEE Thursday, January 20, 2012 at 1:30 P.M. Hall of Administration 3<sup>rd</sup> Floor, CEO Main Conference Room or

Conference call number: 714-834-7400

**Committee Members**: \*Thomas Hammond, Chairman; \*Carl Groner, Vice Chairman, Shari Freidenrich, Treasurer Tax-Collector; David Sundstrom, Auditor-Controller, Tom Mauk, CEO

\*Indicates participation via conference call

**County Representatives Present:** Angie Daftary, County Counsel, CEO/Public Finance: Colleen Clark, Public Finance Director; Richard Mendoza, Louis McClure, Laurie Sachar, Suzanne Luster, Diane Wittenberg, Julia Bidwell, OCCR, Kevin Fincher, OCCR, Juanita Preciado, OCCR, Joanna Chang, OCCR.

**Conference Call Participants:** Thomas Hammond, Chairman; Carl Groner, Vice Chairman

**Absent:** Lisa Hughes, Committee Member

- 1. Call to Order: The meeting was called to order at 1:30 P.M by Chair Hammond.
- 2. Approve the financing and issuance of County of Orange Multifamily Housing Revenue Bonds (San Clemente Senior Apartments Project), Series 2012A, in an aggregate principal amount not to exceed \$17,600,000.

## **Recommended Action:**

Approve the financing and issuance of County of Orange Multifamily Housing Revenue Bonds (San Clemente Senior Apartments Project), Series 2012A, in an aggregate principal amount not to exceed \$17, 600,000.

This item was continued for January 12, 2012.

Chair Hammond called the meeting to order and stated he would like to thank Meta Housing for supplying the additional information requested at the prior meeting. Chair Hammond stated he would like to cover the cost of this project, and based upon the information provided he calculates that this project costs over \$400,000 a unit which is about 100% more than what a typical class-A apartment project would be. Tim Soule of Meta Housing responded that the higher cost is due to the requirement to pay prevailing union wages, the building has a large subterranean parking structure, and the City of San Clemente's demanding design criteria.

Chair Hammond stated that with operating revenues of about \$936,000 and operating expenses of about \$400,000 there is approximately \$525,000 in available revenue before bond debt. After bond debt, there is about \$40,000 remaining. With bond debt of about \$11 million, Chair Hammond stated that the contingency percentage is insufficient. Tim Soule responded that there is a 10% contingency reflected on a different line item of the proforma.

Chair Hammond stated that when depreciation is factored into the proforma, the project loses money each year, which is not atypical of real estate developments. However, this project will show about \$1 million per year loss if depreciation is added to the pro forma. This raises the issue, what do you do with the buildings in 15 to 20 years when the buildings are obsolete; Tear them down? Who will provide the funds for rehabbing a 20-year old building? Does this require a refinancing? There should be provisions for rehabilitation after the 15 year depreciation period. Furthermore, there is only \$38,000 per year set aside as a maintenance reserve for 76-units. This is only \$500 per year per unit, less than the cost of one water heater.

Chair Hammond stated that the financial statements of the guarantors indicate that they have personally provided \$97 million in total guarantees for construction completion, loan repayments, cost overruns, operating deficits and tax compliance. One guarantor (Meta Housing) shows \$24 million in net worth, but has a \$16 million receivable related to other builder fees on other projects. These receivables are collectible over time based on a successful performance of all these projects. There is no reserve for nonpayment of these builder fees. The other guarantor has a \$26 million net worth, but \$24 million of that is related to the affiliated guarantor (effectively double counting the available net worth). Considering this, Chair Hammond stated there is only about \$10 million of combined net worth guaranteeing \$97 million of direct guarantees. In addition, the combined guarantors show about \$3.2 million of cash between them.

Committee Member Groner inquired about the process related to how this project was selected and how it is differentiated from others. Julia Bidwell of Orange County Community Resources department stated that the County utilizes a Notice of Funding Availability process to review multifamily affordable housing deals. The Board approves policies that prioritize certain types of projects. Meta Housing successfully met the established criteria.

Committee Member Freidenrich stated that it may be helpful at some point to have a workshop so the Committee members could have more information about the financing process.

Chair Hammond made a motion to approve the financing. Committee Member Freidenrich seconded the motion and the Committee approved it unanimously. Chair Hammond further directed the Public Finance Director to forward his comments to the Board prior to their consideration of this item.

**3. Public Comment:** There was no public comment.

4. Additional Comment: None

**5. Adjournment:** The meeting was adjourned at 2:00.P.M.