

AT A REGULAR MEETING OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF JAMES CITY, VIRGINIA, HELD ON THE NINTH DAY OF MAY, NINETEEN HUNDRED EIGHTY-FOUR AT 3:30 P.M. IN THE COUNTY GOVERNMENT CENTER BOARD ROOM, 101 MOUNTS BAY ROAD, JAMES CITY COUNTY, VIRGINIA.

1. ROLL CALL

Ms. Diane L. Abdelnour, Chairman
Mr. Kenneth H. Axtell
Mr. John Barnett, Jr.
Mr. C. Hammond Branch
Mr. Paul A. Dresser
Mr. Harold N. Poulsen

Others Present:
Mr. Frank Morton, III
Mr. John E. McDonald

2. PUBLIC HEARING - CASE NO. 2-84 VIRGINIA UNITED METHODIST HOMES

Chairman Abdelnour opened the public hearing and asked if there was anyone in the audience wishing to speak.

Mr. David Otey introduced Dr. Paul Martin on behalf of the applicant, United Methodist Homes, Inc.; Mr. J. W. Burton of Creative Financial Management Corporation and Mr. John Graham and Ms. Denise Melton of Browder, Russell, Morris and Butcher, Bond Counsel for the applicant.

Mr. Otey gave a general description of the home for the elderly proposed by United Methodist Homes. The home is to be located in the Corporate Center on land previously rezoned PUD-R, he indicated the site plan had not yet been submitted on that property. Mr. Otey stated that there was no additional facilities requiring public funds, there would be no increase in the demand for County services and there would be no school age children associated with the project. He quoted the James City County Comprehensive Plan which encourages housing opportunities for the elderly and disabled in the County.

Mr. Otey then went on to describe the life care facility: 260 apartments (108 two-bedroom, 152 one-bedroom), 60 nursing beds, 30 domiciliary units with limited clinical and commercial facilities. Mr. Otey stated that Virginia United Methodist was a Section 501-3(c) corporation and that they will develop, own and operate the facility. Dr. Martin, on behalf of Virginia United Methodist, was in charge of 900 residents in six facilities with over 600 employees in the State of Virginia. They have been involved in retirement homes and homes for the elderly for about the last 30 years. Mr. Otey further stated that the applicant has had positive cash flows as shown in its financial statements for the last three years, has had past experience, and the applicant would be the ideal operator of such a facility.

Mr. Otey stated that the life-care would produce about 90 jobs with a wide range of skills that would serve County residents and fit in very nicely with the IRB concept, it would generate salaries of \$1.1 million the first year, with the construction period generating additional job opportunities for a two-year period. The project would contribute \$138,000 in real estate taxes, \$55,000 in personal property taxes and \$14,000 in license taxes for the County.

Mr. Otey stated that the applicant would not seek exemption from local taxation for this project. He asked the Authority to approve the inducement resolution.

Mr. Poulsen then asked the applicant some questions about the current operating statements filed by the applicant where operating expenditures exceeded operating revenues, five of the homes currently in operation showed deficits. He asked whether the Methodist Church supported these projects. In response, Dr. Martin indicated the Church members had given around \$300,000 last year on a voluntary basis, that it was not done through the Bishop's assignment of funds and that the United Methodist Homes was the recipient of several gifts from Church members through legacies.

Mr. Dresser asked Dr. Martin what the past practice has been on debt, indicating that this seemed to be the first tax-exempt financing for the applicant and would place a large debt on the balance sheet. He then questioned whether or not it was a departure from current practices. Dr. Martin responded that past debt had been under signature, that the applicant had a line of credit of around \$3,000,000 and had other assets not fully reflected on the balance sheet, including 100 acres of land in Hampton valued at cost. Dr. Martin then responded to questions from Mr. Poulsen, indicating that the applicant had no plans for the development of a home in Hampton and, concerning the applicant's participation in the McClurg project, indicated that the applicant had backed out when the interest rate was 21% and lost what was a very limited option on the purchase of the land for the purpose of establishing a home.

Mr. Poulsen pointed out the material submitted referenced a feasibility study and indicated that the Authority had not seen that feasibility study. Dr. Martin stated that a preliminary study had been done and that a copy was available for use by the Authority, but that the financial feasibility study and a financial study for marketing purposes had not been done, waiting on the IDA action. Mr. Otey indicated that a full feasibility study would be required and present plans required that 50% of the units have deposits on them before the project commences. Mr. Graham added that the Horner-Barksdale financial offering was a standard letter, that the bonds would be a public offering, and that a feasibility study by a Big 8 firm would be a requirement because the market for public bonds requires it.

Dr. Martin, in response to a question from Mr. Poulsen, indicated that 45 nursing beds have been planned for this facility, a reduction from the 60 previously mentioned by Mr. Otey. Mr. Otey, in response to a question from Mr. Dresser, indicated that the resolution indicated the funds would not exceed \$34,294,000, while the documentation in support indicated \$30,600,000. He asked that the Authority approve a larger figure on a "not-to-exceed" basis, but indicated that they hoped that final debt requirements would not

exceed \$31,000.00. In response to a series of questions by Mr. Poulsen, Dr. Martin indicated that the 9% increase in projected expenditures on an annual basis was not unrealistic given a 12% annual increase in health-care costs over the last several years. Medicare and Medicaid were being proposed in certain areas as a third-party reimbursement for costs only if the nursing facility were approved by Medicare and Medicaid. Dr. Martin indicated there was some uncertainty whether any third-party reimbursements could be obtained without a licensed facility. In response to a question from Mr. Poulsen, he indicated that their operating revenues would depend on third party reimbursements. Dr. Martin stated that the home would proceed operationally with or without third-party reimbursements.

In response to a question from Mr. Dresser, Dr. Martin indicated that the Firm AMEDO had not participated with the applicant in the operation of family homes to date and that they had sought the applicant out in the development of this property. They have a good reputation outside of the area and the applicant has had experience with the parent company, Borg-Warner.

In response to a question from Ms. Abdelnour, Mr. Graham responded that the recent Senate bill prohibiting use of tax-exempt financing for health care facilities would not have an impact on this project because the project was not a private activity project, the applicant being a 501-3(c) non-profit corporation. Mr. Graham further added that the proposed changes in the legislation have no apparent affect on the applicant or the bond issue.

Mr. Graham indicated in response to a question from Mr. Dresser that maturity dates for this kind of debt would be staggered and that long-term financing would not be used to acquire short-term assets such as furnishings.

Dr. Martin, in response to questions from Mr. Poulsen, stated that the 40% escalation of land costs from original projections included the acquisition of an additional 4.5 acres in the Corporate Center as a condition of the rezoning, carrying costs and potential escalation in the negotiated price of the land. The original site costs had not increased by 40% and that the funds identified for land acquisition did have some contingency figures. Dr. Martin agreed with Mr. Poulsen the land acquisition cost appears a little high.

Mr. McDonald, in response to a question from Mr. Dresser, responded that the property tax estimated seemed to be a little low, that the personal property owned by residents and the effects of capitalized interest in increasing the value of the real property would probably provide more tax dollars to the County that would have been indicated in the application.

Dr. Martin, in response to a question from Ms. Abdelnour, indicated the nursing facility had been down-sized from 60 to 45 beds, indicating that he understood the Peninsula was short 43 beds at the time. Mr. Axtell added that while there was not a moratorium on nursing beds, the Peninsula District has now an excess of beds in nursing homes and a Certificate of Need would probably not be granted for a new nursing facility.

Dr. Martin, in response to a question from Mr. Poulsen, stated that while current predictions show an operating income for the project, there has been an operating loss in the applicant's other homes. These residences were not designed to make money and legacies and contributions made up the operating losses. Dr. Martin indicated that it was impossible to predict such things as

legacies or beneficiaries, but the original cost studies of the project had defined sufficient revenue to cover the expected costs. Dr. Martin admitted to Mr. Poulsen's suggestion that the financial projections are optimistic, but indicated a full financial study would clarify those concerns.

Dr. Martin, in response to a question from Mr. Dresser, stated that the admissions fee would be amortized on the basis of 2% per month, plus an additional 4% upon termination of the agreement. He also indicated that the present plans indicated that the residents could keep their equity interest in the Home as part of their estate when they died through payment of a surcharge on the admissions fee. That practice is used in other parts of the country and the equity would become part of the estate.

Mr. Barnett expressed concern that the salaries appeared to be underestimated by \$200,000 and that there was a potential for a social services burden if the costs were greater than revenue. Mr. Barnett asked if the corporation had the economic stamina to overcome short-term operational deficits. Dr. Martin replied that the salaries listed compared to the salaries paid in other areas of the State by the applicant to include Roanoke and Alexandria. Mr. Barnett suggested that the Williamsburg labor market is different, that occupations like cooks, housekeepers and bakers cost more in a tourist-oriented economy because of the demand. Dr. Martin indicated that the applicant had ridden out storms before and the predictions for cost and revenue were based on experience in the State of Virginia. He added, in response to a question from Mr. Barnett, that the projected percentage of occupancy was between 90 and 95%, and that most of the projections were based on experience obtained through AMEDO on costs generated through its operation of five homes in and around the Orlando area.

Dr. Martin, in response to a question from Mr. Dresser, indicated if the Certificate for Need doesn't materialize, they would try to contract with local facilities, to include the Hospital and the Pines. He also stated that all assets of the applicant would be committed to this project, if necessary.

In response to a question from Ms. Abdelnour, Dr. Martin replied that competition from Williamsburg Landing, the other retirement community planned in the Williamsburg area, would be positive. It appeared the applicant's market would be a little broader than Williamsburg Landing's, slightly lower income levels would be necessary. Dr. Martin added that he would hope to establish good relations with Williamsburg Landing and any other homes now proposed in the Williamsburg area.

In response to a question from Mr. Poulsen, Dr. Martin indicated that the applicant was not connected with the United Methodist Church pension plan and was not part of the United Methodist Church plan arrangement. In a further response to a question from Mr. Poulsen, Dr. Martin indicated that he did not know who would manage the facility at this point in time, that he had a general idea, but it was know only to him.

In response to a question from Mr. Dresser, the elevation of the facility would be only six floors and that would be the maximum height.

Mr. Barnett asked Mr. Axtell whether the proposed retirement facility would be a positive factor or a negative one to the Hospital. Mr. Axtell replied that

nursing home beds in the future would be scarce and the project could be positive in relation to the Hospital. Mr. Axtell then indicated the nursing home was probably not essential to the project, that the Pines is available and Coliseum Home for the Elderly, or other facilities operated by Virginia Methodist Homes. Mr. Axtell added that he thought a 9% projected increase in costs, excluding health care costs attributed to a nursing facility, would be high for a residential complex. Dr. Martin responded that while 9% was not expected, that it must be considered as possible and he thought the financial projections should be prudent. Dr. Martin then stated that he thought the salary figures were about right, if a little conservative, that he had to overcome the Church philosophy which expected people to work for nothing.

Mr. Axtell indicated that he did not know whether the County could absorb three such facilities and he would like to see the broader feasibility study that the applicant will produce. Dr. Martin replied that he would provide the additional information. Mr. Axtell questioned whether or not the County would have to build new utility facilities. In response, Mr. Otey indicated no additional facilities would be required, or if they were, they would not be paid for by the County.

In absence of any further comments or speakers, the public hearing was closed.

Mrs. Abdelnour then indicated that a revised resolution of inducement had been presented but needed the dates of public advertisement filled in.

Mr. Axtell asked Mr. Morton why the resolution was different from the one in the packet. Mr. Morton indicated that the resolution contained an eleventh paragraph that qualified the resolution in respect to the pending Federal legislation. The paragraph had been inserted on the advice of bond counsel and provided that the Board could either revoke the resolution or refuse to close the bonds in the event that legislative action limited the funding authority of the Board.

Mr. Abdelnour asked whether the amendment was acceptable to the applicant.

Mr. Graham replied that it was acceptable, that the applicant, as a 501-3(c) Corporation, would not be affected by a proposed volume cap.

Mr. McDonald indicated that the advertisement dates were April 25 and May 2, 1984.

Mr. Dresser moved the approval of the resolution, Mr. Axtell seconded, and the motion was approved by a 6-0 roll call vote.

Diane L. Abdelnour	AYE
Kenneth H. Axtell	AYE
John Bennett, Jr.	AYE
C. Hammond Branch	AYE
Paul A. Dresser, Jr.	AYE
Harold N. Poulsen	AYE

Mr. Poulsen offered to present the resolution to the Board of Supervisors.

3. COUNCIL OF INDUSTRIAL DEVELOPMENT BOND ISSUES

Mr. McDonald presented an invitation from the Peninsula Ports Authority to participate in the formation of a State and National Council of Industrial Development Bond Issuers.

Mr. Poulsen indicated that he thought forming a group for education, exchanging information, and for problem-solving was a good idea. He rejected the idea of organizing a lobby and for lobbying on behalf of industrial revenue financing.

Mr. Dresser suggested that the Authority not commit to join but take it under advisement, await additional information and thank the Ports Authority.

4. BOARD REQUESTS AND DIRECTIVES

Mr. Morton advised the Board that he would not be a candidate for the position of counsel to the Authority. The selection process would have to be an open one and the timing was not good. He questioned the expected activity level - present at every meeting, the allocation of the fee and passing the fee onto the applicant.

Mrs. Abdelnour asked how applicants were to be solicited? Mr. Morton responded that sending local attorneys a letter and putting it in the paper appeared the best method.

Mr. Dresser asked if a local firm was preferred. Mr. Morton indicated that only one local firm had experience, that they would look at the qualifications of applicants. The primary consideration is that the attorney be in a position to advise the Board of Directors that he is satisfied with the documentation and that he recommends that the Board execute the agreement.

Mr. Morton suggested that an RFP be prepared, circulated for Board review, and a recommendation would be forthcoming.

5. ADJOURNMENT

There being no further business, the meeting adjourned at approximately 5:50 p.m.

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