

AT A REGULAR MEETING OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF JAMES CITY COUNTY, IN THE COUNTY GOVERNMENT CENTER BOARDROOM, 101-C MOUNTS BAY ROAD, AT 4:00 P.M. ON THE NINTH DAY OF APRIL, NINETEEN HUNDRED AND EIGHTY-SIX.

1. ROLL CALL

Mr. Kenneth Axtell, Chairman
Ms. Diane L. Abdelnour
Mr. C. Hammond Branch
Mr. Paul Dresser
Mr. Harold N. Poulsen

ALSO PRESENT:

Mr. John C. Brown, Secretary
Mr. John McDonald, Treasurer
Mr. Frank M. Morton, III, County Attorney

2. MINUTES

The March 12, 1986 minutes will be presented as a later agenda item.

3. WILLIAMSBURG LANDING REFUNDING

Representatives of Williamsburg Landing have requested a refunding of outstanding bonds not to exceed \$42,500,000 in order to enhance the long-term financial viability of the project.

Staff recommended approval of the Resolution of Inducement because of the benefits to the project and County residents who live in Williamsburg Landing or who hold current bond instruments.

Mr. Alvin Anderson, attorney for the applicant, stated that since the original issuance of bonds on March 28, 1984 a certificate of need had been obtained from the State Health Department for the facility, that completed construction was performed within budget limitations, and that a long-term health care group insurance policy for residents was in effect.

On March 12, 1986 an application was filed for advanced refunding of the outstanding \$36,250,000 issue. Representatives of Wheat First Securities were present to explain how advanced refunding works, how the proposed advanced refunding would work in respect to Williamsburg Landing, and the hurdles necessary for the refunding to be accomplished.

Board of Directors and Executive Directors of Williamsburg Landing were present to answer questions.

Also present were Messrs. Charles W. Byrd, Jr. and Joseph W. Montgomery of Wheat First Securities; Mr. B. Darrell Smelcer of Hunton and Williams; Mr. James R. McClary of Tim Barrow & Associates, and Mr. D. Martin Trueblood, Executive Director of Williamsburg Landing.

Mr. Byrd stated that the purpose of a refund is to take advantage of the lower interest rates on today's market; however, existing bonds cannot be called or paid-off in the future, specifically 1987-1994. Therefore, a technique known as advanced refunding is used to pay bonds. Mr. Byrd further stated that pending legislation before Congress may prevent advanced refunding from taking place. Mr. Byrd described for the Authority, via a handout, The Flow of Funds Before Refunding (Exhibit I), The Flow of Funds After Refunding (Exhibit II), Required Events Prior to Refunding (Exhibit III), Williamsburg Landing Refunding Analysis Summary (Exhibit IV), and Williamsburg Landing Estimated Sources and Applications of Funds (Exhibit V).

Mr. Byrd informed the Authority that because Williamsburg Landing is not earning enough on the treasury obligations to meet principal and interest payments on the existing bonds, additional bonds are needed which result in a larger bond size to produce a savings; i.e., a larger bond size at a lower interest rate produces a savings.

In order for refunding to take place, the Authority must approve the inducement; sales must increase at Williamsburg Landing (approximately 65% of units have been sold but 70-80% projected to be sold by time refunding takes place); satisfactory resolution of H.R. Bill 3838; and a change in the relationship between tax exempt bond interest rates and interest rates on treasury obligations.

Mr. Poulsen questioned why the application indicates a resolution for \$42,500,000 but Exhibit IV indicates savings based on \$40,285,000. Mr. Byrd explained that at the time of the analysis (2/18/86), given the interest rates for taxes and bond issues and interest rates associated with treasury obligations, it took a bond issue of a little more than \$40,000,000 to refund Williamsburg Landing's current bonds.

In response to Mr. Poulsen's question as to whether the bond issue could be held up for one year if the 75% occupancy is not met, Mr. Byrd indicated that this could happen (the resolution is for one year).

Mr. Dresser expressed concern regarding the progress of Williamsburg Landing. Mr. Byrd stated that a lot of people who initially expressed interest did not follow through. Mr. D. Martin Trueblood contributed to the explanation by stating that of the 219 units 88 are occupied and there are 52 signed contracts with 10% deposits. Of the 52 signed contracts about 20 have firm move-in dates and some have withdrawn. Mr. Trueblood stated that 130 \$1000 deposits have been received since the first of January.

In addition, Mr. Trueblood said type of housing or construction problems do not explain the low 65% sales rate. Specifically, there is no demand for two or three bedroom apartments and the Williamsburg Landing construction problems are minor and easily rectified.

Mr. Smelcer stated that the Feasibility Study performed in early '84 predicted there would be an average of 141 units occupied toward the end of 1986, and by 1987 an average of 210 units occupied, with 95% occupancy by February 1987. Mr. Smelcer felt occupancy was just about where predicted at this time.

Ms. Abdelnour asked if any of the bond proceeds would be used for liabilities other than paying off principal and interest on the 1984 bonds.

The bond counsel indicated Williamsburg Landing would issue only enough to cover the issuance expenses and to buy government obligations to pay off principal.

Ms. Abdelnour asked about the exempting liabilities of Williamsburg Landing.

The bond counsel indicated no bonds have been redeemed so the same principal amount issued in 1984 is still on the books of Williamsburg Landing today.

Ms. Abdelnour asked about construction accounts payable and any other obligations and liabilities.

The bond counsel indicated there is a small balance for construction (about \$300,000-\$400,000). An audit will be performed in about two weeks but all bills are current. It was stated that there was more money in the construction fund than the total amount due.

Ms. Abdelnour asked what is being done, if anything, by Williamsburg Landing to determine whether the State will grant tax exempt status on real estate and personal property.

Mr. Anderson responded with a handout to the Authority and stated that the State Code says basically that the General Assembly will not even consider a request from a 501C3 to have a tax exemption until they receive a report from the governing body of the locality. The report must include specific information which is presented to a public hearing.

Mr. Dresser commented that the refunding would produce a savings of approximately \$700,000 but felt it would not make sense to pursue the refunding unless there is a savings of 1½ million dollars.

Mr. Dresser made a motion, seconded by Mr. Branch, to accept the Inducement Resolution based upon a (1) a 75% occupancy, and (2) proceeds that produce sufficient investment income so as to generate the debt service savings now projected.

In a roll call vote, the Industrial Development Authority approved the motion 4-1 with Ms. Abdelnour voting nay.

4. MINUTES

The minutes of the March 12, 1986 meeting were approved.

5. SUMMARY OF VIRGINIA PROJECTS RECEIVING AWARDS FROM THE FIRST QUARTER OF THE IDA STATE RESERVE SYSTEM.

Mr. Brown overviewed the allocation of IDA State reserve. Mr. Poulsen noted the City of Chesapeake had received 11 awards and York County had received 6 awards. Mr. Brown indicated \$129,114,840 is provided for the second quarter of the State reserve.

6. STUDY OF COMMERCIAL-INDUSTRIAL INVENTORY

Mr. Brown presented a slide summary of 17 commercial-industrial sites. He indicated the inventory and a companion reference manual will be presented to the Virginia Department of Economic Development and the Virginia Peninsula Economic Development Council.

7. MATTER OF SPECIAL PRIVILEGE

A tentative May 14th IDA meeting was scheduled to review the amendments to the Oxford Retirement project. Mr. McDonald noted a meeting may not be necessary to review amendments. It was agreed, upon review of the Oxford amendments, a decision to meet would be made.

Mr. Axtell requested all future IDA requests have an executive summary; i.e., a one page summary that notes cost, benefits, and other relevant points.

8. ADJOURNMENT

There being no further business, the April 9, 1986 meeting of the Industrial Development Authority was adjourned at approximately 6:00 p.m.

Kenneth Axtell, Chairman

John C. Brown, Secretary