

POLICE AND FIRE RETIREMENT PLAN

1a

Revised Summary of Special Real Estate Committee Meeting

WEDNESDAY

SAN JOSE, CALIFORNIA

NOVEMBER 19, 2008

PRESENT:

Police and Fire Board

Ken Heredia

Bret Muncy

Mark Skeen – excused absence

Scott Johnson

Also Present:

Russell Crosby -Secretary/Director

David Kimport -Nossaman LLP

Carmen Racy-Choy -Staff

Leslie Horenburger -MIG (via phone)

Ali Amiry -Staff

Ronald R. Kumar -Staff

Ceara O'Fallon -Staff

MEETING SUMMARY

RECOMMENDATIONS

- 1. Approval for the Secretary to negotiate and execute an agreement with Trauner Consulting Services, Inc. to conduct a construction audit of the Progress Point, LLC for an amount not to exceed \$15,000.**
- 2. Approval of recommendations by the Plan's Real Estate counsel.**

ITEMS

- 1. Discussion and action to hire a construction audit firm to conduct a construction audit of the Progress Point, LLC and to grant authority to the Secretary to negotiate and execute a contract with the selected firm for a not to exceed amount of \$15,000.**

Staff recommended hiring a construction audit firm for the Progress Point, LLC construction project. Staff received two written responses, one of which did not meet the desired scope of work. The other firm, Trauner Consulting Services, Inc. ("Trauner") provided a scope of services in line with staff's request. The construction project is roughly halfway and it is a good management practice to conduct an audit now and near the end of construction.

Mr. Heredia stated that it is unusual for the construction project to be halfway complete and yet the Committee has not received any status updates.

Ms. Racy-Choy stated that staff has only received pictures from Kennedy Associates Real Estate Counsel ("Kennedy") and verbal communication indicating the project is going well and on schedule. Thus, it is a good idea at this point to have the construction audit.

Mr. Johnson asked if there was a cap on the expenses.

Ms. Racy-Choy stated that Trauner provided us with an estimated budget of \$10,000 to \$15,000. If Trauner goes above the \$15,000, they will have to provide a written explanation as to why, which would have to be approved.

Mr. Johnson asked if Trauner had provided a defined scope of work and deliverables.

Ms. Racy-Choy stated that staff has received a detailed scope of work and deliverables from Trauner that matched the requirements.

The Committee approved hiring Trauner to conduct a construction audit of the Progress Point, LLC and granted authority to the Secretary to negotiate and execute a contract with Trauner for not to exceed amount of \$15,000.

Motion/second/approved. (3-0) (Heredia/Muncy/Johnson – Skeen absent)

2. Discussion and approval of recommendation by the Plan's Real Estate counsel.

Nossaman LLP ("Nossaman") provided recommendations in response to the Committee's decision to move away from separate real estate accounts toward commingled funds. Nossaman recommended as a first step that Kennedy Associates Real Estate Counsel ("Kennedy") and MIG Realty Advisors ("MIG") provide sales analyses to staff as the liquidation of the separate accounts will take time. This will enable staff to review the sales analyses and develop a disposition strategy to present to the Committee. A second recommendation is a review of the current disposition guidelines, which have been followed in the Deerwood Apartments disposition, but are inefficient. Nossaman recommends that staff and the Committee work together to simplify the disposition process. Nossaman also highlighted some possible alternatives to selling the properties one-by-one, which included rolling-up the assets into a single fund or hiring a liquidation manager.

The Committee approved the following:

1. Instructing Kennedy and MIG to provide sales analyses; and
2. Having staff review the disposition guidelines and bring revisions back to the Committee.

Motion/second/approved. (3-0) (Heredia/Muncy/Johnson – Skeen absent)

3. Discussion and action of Kennedy Associates' contingency plan regarding the potential bankruptcy of the property manager CB Richard Ellis.

Kennedy provided a letter regarding the potential bankruptcy of property manager CB Richard Ellis ("CBRE"). CBRE manages two of the Plan's properties, but the money to manage the properties is held in trust, so, if CBRE files for bankruptcy, the Plan will not be hurt. Kennedy is prepared to move quickly should they need to find a replacement and will keep staff informed should they recommend a replacement property manager.

4. CLOSED SESSION – Conference with Real Property Negotiator Pursuant to Government Code Section – 54956.8

Vice-Chair Heredia reported out of closed session that the Committee approved current negotiations with the buyer of the Deerwood Apartments.

Approved:



**RUSSELL U. CROSBY, SECRETARY
BOARD OF ADMINISTRATION**