

# **POLICE AND FIRE RETIREMENT PLAN**

## **Summary of Real Estate Committee**

**THURSDAY**

**SAN JOSE, CALIFORNIA**

**JULY 1, 2009**

**PRESENT:**

**Police and Fire Board**

**David Bacigalupi**

**Keith Keesling**

**Conrad Taylor**

**Also Present:**

**Russell Crosby -Secretary/Director**

**David Kimport -Nossaman**

**Carmen Racy-Choy -Staff**

**Danielle Gensch -Nossaman**

**Ali Amiry -Staff**

**Ron Kumar -Staff**

**Ceara O'Fallon -Staff**

**Cristin James -Staff**

## **MEETING SUMMARY**

### **RECOMMENDATIONS**

None

### **ITEMS**

- 1. Approval of Real Estate Committee Minutes:**
  - a. March 5, 2009.**

- 2. Presentation and discussion regarding the tax exemption process for Progress Point.**

(See Summary of Special Board Meeting of SJ Progress Point, LLC)

- 3. Authorization for the Secretary to negotiate and execute contract extensions with Kennedy and MIG on a month-to-month basis.**

The Committee approved and authorized the Secretary to negotiate and execute contract extensions with Kennedy and MIG on a month-to-month basis

Motion/second/approved (3-0)

#### **4. Informational Item: Progress Point Construction Audit update.**

Ms. O'Fallon stated that Trauner Consulting Services completed the first site review on March 3, 2009 and found only a handful of minor issues which have since been addressed.

Ms. Racy-Choy stated that Trauner Consulting Services will perform a second review when the construction project and tenant improvements are completed.

**Approved:**

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

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# **POLICE AND FIRE RETIREMENT PLAN**

## **SJ PROGRESS POINT, LLC**

**THURSDAY**

**SAN JOSE, CALIFORNIA**

**JULY 1, 2009**

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**PRESENT:**

**Police and Fire Board**

**David Bacigalupi, Director**

**Russell Crosby, Chief Financial Officer**

**Also Present:**

**Carmen Racy-Choy -Staff**

**Ali Amiry -Staff**

**Ron Kumar -Staff**

**Ceara O'Fallon -Staff**

**Cristin James -Staff**

**David Kimport -Nossaman**

**Danielle Gensch -Nossaman**

## **MEETING SUMMARY**

### **1. Discussion and approval of the property tax exemption process for SJ Progress Point, LLC.**

Mr. Kimport reported that Fireman's Fund has signed a lease to rent 94% of the Progress Point office building. Since the building will be their national headquarters, part of the lease negotiations was an agreement that the owner of the building would seek tax abatement from the State of Missouri. Under Missouri law, the owner of the property cannot file directly for this tax abatement, the city must own the property to qualify.

Mr. Kimport explained that SJ Progress Point, LLC ("SJPP") would sell the land and building to the City of O'Fallon and then lease it back. SJPP would have all the rights to the property under a ground lease. The city creates a bond that is given to SJPP for the total cost of the land, construction costs and tenant improvements. SJPP pays the cost of issuance, which is approximately \$70,000 to cover attorney fees and other administrative expenses. Firemen's Fund will reimburse any fees to SJPP including an annual trustee fee of \$2,500. During the ten year period of this transaction, SJPP pays rent to the City of O'Fallon and in return the City of O'Fallon pays interest on the bond. The amount of the rent equals the amount of the bond interest paid.

Chair Bacigalupi asked if this was the city or the state tax that was to be abated.

Mr. Kimport explained that the tax abatement would be for state property tax.

Dr. Amiry stated that the tax abatement is based on the 94% of the building that is leased by Firemen's Fund and asked what would happen if Firemen's Fund reduced the leased space.

Mr. Kimport explained that the tax abatement will be based on the amount of space that Firemen's Fund occupies. If Firemen's Fund has less employees, reduced payroll, or reduced space the amount of tax abatement allowed by the state would change accordingly.

Chair Bacigalupi asked, if SJPP decided to sell the property, could the new owners take over the process to receive the same tax abatement.

Mr. Kimport stated that the owner could buy the bonds and take over the lease with the City of O'Fallon.

Chair Bacigalupi stated that the process sounds complicated but is necessary as part of the lease process with Fireman's Fund. In order to feel comfortable with this transaction the committee needs additional information:

- Background on UMB, the trustee bank;
- An opinion from a bankruptcy attorney to make sure the contracts would not be affected if the City of O'Fallon went bankrupt;
- Details of where the physical bonds would be held in custody.

**The Directors** approved the adoption of the resolution to take corporate actions in order to receive the state property tax abatement on behalf of Firemen's Fund pending a background check on UMB, an opinion from a bankruptcy attorney and details of storage of the physical bonds.

Motion/second/approved (2-0)

**Approved:**

  
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**RUSSELL U. CROSBY, CHIEF FINANCIAL OFFICER**