

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES SPECIAL MEETING
316 NE FOURTH STREET, SUITE 2, FORT LAUDERDALE, FL
Wednesday, November 16, 2011
9:00 A.M.

BOARD'S COMMUNICATION TO THE CITY COMMISSION

Items Requiring City Commission Action

- None at this time

Items That May Be Of Interest To The City Commission

- None at this time

Items Submitted For City Commission Consideration

- None at this time

Chairman Bucci brought the meeting to order at 9:05 am. Roll call was taken.

Present: John LeRoy "Le" Bucci, Chairman
Sean Jones, Secretary
Julie Cameron
Greg Slagle
Darlene Pfeiffer
Dr. Bob Helmholdt

Participated
Electronically: Mark Darmanin, Vice Chairman

Absent: Douglas Wood, Ex-Officio

Also Present: Robert Dunckel, Assistant City Attorney
DJ Williams-Persaud, Assistant City Attorney
Alan Vordermeier, Vordermeier Management Company
Charlie Ladd & George Rahael, Las Olas Properties

Chairman Bucci explained that one Board member was unable to attend and wished to participate. He then asked Ms. Williams-Persaud to review the regulations regarding telephone communications for a Board member to attend via the telephone. Mr. Jones made a motion to

allow Mr. Darmanin to participate in the meeting via the telephone since he met the criteria reviewed by Ms. Williams-Persaud. Ms. Cameron seconded the motion. The Board agreed unanimously. Mr. Dunckel reminded the Board that Mr. Darmanin could discuss and participate in conversation, but could not vote.

PROPERTY PURCHASE CONSIDERATIONS

Mr. Dunckel opened the discussion reviewing the past locations of the GERS Office and the transaction of real estate for the 316 Building that brought the GERS Office to this site. He continued that the opportunity to purchase the 300 Property then became an interest to enhance the current property as an assemblage. The initial purchase offer price began at \$2.4 million and, over the period of a couple of years, the offer settled on \$3.5 million net, plus the absorption of \$300 thousand in seller's expenses. Appraisals have been done indicating a value of \$5.5 million. Mr. Dunckel added that the transaction has met with criticism from City officials, as well as other players in the community. He noted the contract is worded that, should any issues come forth after the due diligence, the contract could be cancelled. He felt it was in the Board's best interest to review and take additional consideration in the acquisition of the property in light of the criticism directed toward the purchase.

Mr. Dunckel next reviewed the current 4-foot utility easement, which would not be a problem, and the driveway easement for lot 13, which must remain in the case of future development. He then reviewed the covenant for the land usage and offset for affordable housing. Mr. Dunckel stated that Planning and Zoning had approved the property for 274 housing units. Mr. Ladd stated the permit allows the approval to stay in place for two years. Mr. Dunckel said those approvals could add value to a future developer. He proffered that his social network has expressed concern that the deal was overpriced, that there wasn't sufficient upside for the purchase, and that the property was not located on Federal Highway where more appealing properties were located. The reports back to him were the \$3.5 million price was reasonable but not a bargain. He further explained the issues being raised regarding the property and the question of the Board's fiduciary responsibility.

Mr. Darmanin said he felt the Board was moving forward positively to average down the initial purchase of the 316 Building. Due to the property's adjacent location and allowing for the market correction, suggested a move almost like a rebalancing of the portfolio. He has not heard anything in the negative that would cause him to change his mind. He then reminded the Board how Mr. Dahab said this procurement would be a good investment and the offer that they were considering was well below the current market for real estate.

Mr. Ladd stated he was always suspicious about anonymous developers. He added that the value of development depends on the property's building density. The west side of Federal Highway is more valuable because the area allows for density. North of 6th Street is what he called a non-starter because it is a bad area. The Federal Highway piece of property is under contract to Minto Builders and closes on December 15, 2011. Mr. Gaddis, he explained, owns the only other piece good for apartments. He added there was an offer of \$8.5 million for the option of 250 units of development. He concluded with a review of the last pieces of property that are available as information to the Board. Mr. Dunckel said his sources are not as well versed in the area as Mr. Ladd. Further discussion ensued.

Dr. Helmholdt stated he evaluated all sides and thought the portfolio diversity would be good. He did not feel it would upset the balance of that diversity. He also felt it was a better

investment because of its contiguous location to the present property. In addition, he felt, it was a good hedge against the market (equity) volatility and has stronger faith on the acquisition. Mr. Slagle said he was comfortable with the purchase and felt the asset allocation would be beneficial with the purchase. However, increased level of confidence would be obtained by conducting a risk analysis as he previously suggested.

Chairman Bucci reminisced when the Board was paying \$50 thousand dollars in rent per year. He questioned whether future Boards would have the expertise to handle the Real Estate investments, however he sees much potential in the downtown area and is confident these two properties together are very valuable as an assemblage. He then polled the Real Estate Subcommittee: and Board members who unanimously agreed to move forward with the purchase.

PLEASURE OF THE BOARD

Chairman Bucci announced that the City Commission did not pass the Ordinance for the retirement incentive on the November 15, 2011 second reading. He said it was deferred until the next meeting on December 6, 2011. There was a request for more information because of the City Auditor's concern regarding the discrepancy in the numbers between the City and GERS Actuaries. Mr. Dunckel brought up issues regarding why the City Commission deferred the decision, the problems caused by waiting, and the possible consequences of moving the time frame. At this time, Mr. Dunckel felt that the offices should not be signing people up until after the second reading was passed. Further discussion ensued.

Mr. Vordermeier asked for permission to spend \$2,800 on marketing the 4800 Building because the expenditure exceeds his authorization of \$1,000. He reviewed the desire to send out the flyers to every doctor within the County. A discussion ensued. There was a suggestion to fine tune the projected area of dispersal and come back to the Board with a new proposal.

Dr. Helmholdt made a motion to adjourn. Mr. Jones seconded the motion. The meeting was adjourned at 10:44 A.M.