



MARINA COAST WATER DISTRICT

11 RESERVATION ROAD, MARINA, CA 93933-2099

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DIRECTORS

HOWARD GUSTAFSON
President

PETER LE
Vice President

THOMAS P. MOORE
WILLIAM Y. LEE
JAN SHRINER

Agenda

Special Board Meeting, Board of Directors Marina Coast Water District

11 Reservation Road, Marina, California

Saturday, May 9, 2015, **9:30 a.m.** PST

(Please note the different date, time and location)

This meeting has been noticed according to the Brown Act rules. The Board of Directors meet regularly on the first and third Monday of each month. The meetings normally begin at 6:00 p.m. and are held at the City of Marina Council Chambers at 211 Hillcrest Avenue, Marina, California.

Our Mission: We provide our customers with high quality water, wastewater collection and conservation services at a reasonable cost, through planning, management and the development of water resources in an environmentally sensitive manner.

1. Call to Order

2. Roll Call

3. Pledge of Allegiance

4. Oral Communications *Anyone wishing to address the Board on matters not appearing on the Agenda may do so at this time. Please limit your comment to four minutes. The public may comment on any other items listed on the agenda at the time they are considered by the Board.*

5. Action Item

- A. Discussion and Possible Action to Consider Adoption of Resolution No. 2015-21 to Fund the Construction of Building E at 940 Imjin Office Parkway Within the Imjin Office Park Through Approval of Three Lending Facilities from Rabobank, N.A. for a Total of \$3,452,480

Action: The Board of Directors will consider funding the construction of Building E at 940 Imjin Office Parkway within the Imjin Office Park through approval of three lending facilities from Rabobank, N.A. for a total of \$3,452,480.

6. Public Comment on Closed Session Items *Anyone wishing to address the Board on matters appearing in Closed Session may do so at this time. Please limit your comment to four minutes. The public may comment on any other items listed on the agenda at the time they are considered by the Board.*

This agenda is subject to revision and may be amended prior to the scheduled meeting. A final agenda will be posted at the District office at 11 Reservation Road, Marina, 24 hours prior to the meeting. Information about items on this agenda or persons requesting disability related modifications and/or accommodations should contact the Board Clerk 48 hours prior to the meeting at: 831-883-5910.

7. Closed Session

- A. Pursuant to Government Code 54957
Public Employee Appointment
Title: General Manager

8. Possible Action on Closed Session Items *The Board will report out on any action taken during Closed Session, and may take additional action in Open Session, as appropriate.*

9. Director's Comments

10. Adjournment *Set or Announce Next Meeting(s), date(s), time(s), and location(s):*

*Regular Meeting: Monday, May 18, 2015, 6:30 p.m.,
Marina Council Chambers, 211 Hillcrest Avenue, Marina*

*Special Meeting: Saturday, May 30, 2015, 9:00 a.m.
District Office, 11 Reservation Road, Marina*

Marina Coast Water District
Agenda Transmittal

Agenda Item: 5-A

Meeting Date: May 9, 2015

Prepared By: Kelly Cadiente

Approved By: Kelly Cadiente

Agenda Title: Consider Adoption of Resolution No. 2015-21 to Fund the Construction of Building E at 940 Imjin Office Parkway Within the Imjin Office Park Through Approval of Three Lending Facilities from Rabobank, N.A. for a Total of \$3,452,480

Staff Recommendation: The Board of Directors adopt of Resolution No. 2015-21 to fund the construction of Building E at 940 Imjin Office Parkway within the Imjin Office Park through approval of three lending facilities from Rabobank, N.A. for a total of \$3,452,480.

Background: *2014 Strategic Plan, Mission Statement – We provide our customers with high quality water, wastewater collection and conservation services at a reasonable cost, through planning, management and the development of water resources in an environmentally sensitive manner.*

As previously reported to the Board, staff researched possible funding options for construction of Building E. Because the building will not be used for District purposes, tax-exempt financing through the California Special District's Association (CSDA) or a Bond issue were not allowable options. Other options reported included obtaining financing through a bank loan and/or using District Reserves. In order to maintain reserve balances for future needs, the Board approved funding the actual construction costs of Building E with a loan from the District's Bank Rabobank, N.A.

Prior Committee or Board Action: On August 17, 2009, the Board adopted Resolution No. 2009-63 approving an agreement with the Association of Monterey Bay Area Governments (AMBAG) to purchase property within the Imjin Office Park; on November 13, 2012, the Board adopted Resolution No. 2012-77 authorizing the General Manager to take any and all actions necessary to provide a conditional commitment to the General Services Administration (GSA) to construct an Imjin Office Park Building to house the Bureau of Land Management's (BLM) regional office. On April 1, 2013 the Board adopted Resolution No. 2013-26, authorizing an agreement with Rabobank, N.A. to provide a loan in the amount of \$2,500,000 to fund construction of office Building E and site improvements within the Imjin Office Park Project and the use of District Reserves to fund the soft costs in the amount of \$600,000 of the project; on November 17, 2014, the Board adopted Resolution No. 2014-46 to authorizing a construction contract with Dilbeck & Sons Inc. to construct Building E at 940 Imjin Office Parkway, authorizing the General Manager to execute a loan in the amount of \$3,452,480 with Rabobank for said construction and authorizing the General Manager to execute GSA lease amendments 1&2.

Discussion/Analysis: Upon authorization of the Board to fund the construction of Building E with a loan from Rabobank, N.A., the bank, as part of the lending process, obtained an appraisal of the project from an independent appraiser. The appraised value of the project came in

substantially lower than anticipated. Because the construction loan is dependent on the appraised value of the project (\$3,470,000), the maximum construction loan amount is \$2,776,000 or 80% of the appraised value. In order to fully fund construction, Rabobank, N.A. has proposed using three separate lending facilities as follows:

1. A construction loan in the amount of \$2,776,000 convertible to a 10-year term loan upon occupancy by BLM and structured in the same way as previously approved by the Board. This credit facility would be secured by a First Deed of Trust on the land and the 8,981 square foot office building, and assignment of rents from real property and improvements at 940 Imjin Office Parkway. The first 12 months, with option to extend six months, would be interest-only and upon completion would convert to a 10-year term amortized over 25 years. The interest rate during construction is adjustable based on Prime Rate + 0.25% or 30-day LIBOR + 3.25% with no floor. At building completion, the interest rate is based on 10-year LIBOR SWAP index + 2.5% amortized over 25 years. Based on the March 26, 2013 10-year LIBOR SWAP index, annual debt service on the 10-year term loan would be approximately \$190,000 with a pay-off amount of approximately \$2.2 million at the end of year ten.
2. A one year commercial loan in the amount of \$389,600 secured by the assignment of the GSA's obligation to reimburse the District for tenant improvements upon BLM occupancy. This would be an interest only loan as it is for the construction period and will be paid off at project completion and BLM occupancy. The interest rate during construction is adjustable based on Prime Rate + 0.25% or 30-day LIBOR + 3.25% with no floor.
3. A 10-year cash-secured non-revolving line of credit in the amount of \$286,880. This lending facility will fund the contingency balance not funded from the previously listed lending facilities. The District has used the same type of instrument to fund the construction of the building at 920 Imjin Office Parkway. It is important to note that the interest on the line of credit will be calculated on what the District actually draws from the line of credit. If the entire \$286,880 is not utilized, the estimated annual interest of \$7,172 will be less.

Environmental Review Compliance: None required.

Financial Impact: Yes No Funding Source/Recap: Upfront costs to be funded through General Reserves of Marina and Ord water and wastewater cost centers; debt service of the loan would be funded through lease revenue. (MW) = 28%; (MS) = 8%; (OW) = 50%; (OS) = 14%

Other Considerations: By using three separate lending facilities, the District will save approximately \$18,000. Furthermore, there is potential to realize additional savings if the District chooses to pay off the secured line of credit prior to the ten year term.

Staff has estimated annual lease revenue of \$264,800, approximately \$67,000 more than the estimated annual debt service which would be set aside to pay down the \$2.2 million in year ten. Because of the 20-year firm lease term, the total lease revenue will cover 99% of the total cost of the project including the acquisition costs and soft costs initially funded through District Reserves.

Material Included for Information/Consideration: Resolution No. 2015-21; Rabobank, N.A. revised letter of interest dated May 6, 2015; and, Projection of Total Project Costs versus Rental Income dated May 7, 2015.

Action Required: X Resolution Motion Review
(Roll call vote is required.)

Board Action

Motion By _____ Seconded By _____ No Action Taken _____

Ayes _____ Abstained _____

Noes _____ Absent _____

May 9, 2015

Resolution No. 2015 - 21
Resolution of the Board of Directors
Marina Coast Water District

Approving the Funding of the Construction of Building E at 940 Imjin Office Parkway
within the Imjin Office Park through Approval of Three Lending Facilities from
Rabobank, N.A. for a Total of \$3,452,480

RESOLVED by the Board of Directors (“Directors”) of the Marina Coast Water District (“District”), at a special meeting duly called and held on May 9, 2015 at the business office of the District, 11 Reservation Road, Marina, California as follows:

WHEREAS, on November 17, 2014, the Board adopted Resolution No. 2014-46 to authorizing a construction contract with Dilbeck & Sons Inc. to construct Building E at 940 Imjin Office Parkway, authorizing the General Manager to execute a loan in the amount of \$3,452,480 with Rabobank for said construction and authorizing the General Manager to execute GSA lease amendments 1&2; and,

WHEREAS, upon authorization of the Board to fund the construction of Building E with a loan from Rabobank, N.A., the bank, as part of the lending process, obtained an appraisal of the project from an independent appraiser. The appraised value of the project came in substantially lower than anticipated. Because the construction loan is dependent on the appraised value of the project (\$3,470,000), the maximum construction loan amount is \$2,776,000 or 80% of the appraised value; and,

WHEREAS, in order to fully fund construction, Rabobank, N.A. has proposed using three separate lending facilities; and,

WHEREAS, the terms and conditions of the funding program will result in approximately \$18,000 in savings over the previously approved program; and,

WHEREAS, staff has estimated annual lease revenue of \$264,800, approximately \$67,000 more than the estimated annual debt service which would be set aside to pay down the \$2.2 million in year ten. Because of the 20-year firm lease term, the total lease revenue will cover 99% of the total cost of the project including the acquisition costs and soft costs initially funded through District Reserves.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Marina Coast Water District adopts Resolution No. 2015-21, to authorize an agreement with Rabobank, N.A. to fund construction of office Building E and site improvements within the Imjin Office Park Project through the use of three separate lending facilities as follows:

1. A construction loan in the amount of \$2,776,000 convertible to a 10-year term loan upon occupancy by BLM and structured in the same way as previously approved by the Board. This credit facility would be secured by a First Deed of Trust on the land and the 8,981 square foot office building, and assignment of rents from real property and improvements at 940 Imjin Office Parkway. The first 12 months, with option to extend six months, would be interest-only and upon completion would convert to a 10-year term amortized over 25 years.

2. A one year commercial loan in the amount of \$389,600 secured by the assignment of the GSA's obligation to reimburse the District for tenant improvements upon BLM occupancy. This would be an interest only loan as it is for the construction period and will be paid off at project completion and BLM occupancy.
3. A 10-year cash-secured non-revolving line of credit in the amount of \$286,880. This lending facility will fund the contingency balance not funded from the previously listed lending facilities.

BE IT FURTHER RESOLVED, that the Board of Directors of the Marian Coast Water District authorizes the General Manager to sign contract documents, take all actions and execute all documents as may be necessary or appropriate to give effect to this resolution.

PASSED AND ADOPTED on May 9, 2015 by the Board of Directors of the Marina Coast Water District by the following roll call vote:

Ayes: Directors _____

Noes: Directors _____

Absent: Directors _____

Abstained: Directors _____

Howard Gustafson, President

ATTEST:

Bill Kocher, Deputy Secretary

CERTIFICATE OF SECRETARY

The undersigned Secretary of the Board of the Marina Coast Water District hereby certifies that the foregoing is a full, true and correct copy of Resolution No. 2015-21 adopted May 9, 2015.

Bill Kocher, Deputy Secretary