



Minutes
of the
Community Investment Committee
The Industrial Development Authority of the County of Maricopa
(the "Authority")

Date: October 7, 2014, 11:00 a.m.

Place: Ryley Carlock & Applewhite
One North Central Avenue, 12th Floor
Phoenix, Arizona 85004

Present: Victor D. Vidales, William McAllister, David Adame and Charles P. Thompson

Absent: None

Executive Director: Shelby L. Scharbach

Administrators: Joyce A. Gott, Janis L. Larson, and Kathleen Jakubowicz

Attorney: John J. Fries

Guests: Jacky Alling, Kristen Nelson, and James Lincoln of Arizona Community Foundation, Keith Watkins of AAED/ACA, Bryant Barber and Frances Sjoberg of Lewis Roca and Rothgerber and Reid Butler of Butler Housing Company

Mr. Vidales called the meeting to order at 11:05 a.m., noting the presence of a quorum.

The Authority's Community Investment Committee met to discuss, consider and take legal action as determined on the following:

1. PRESENTATION AND DISCUSSION BY REPRESENTATIVES OF ARIZONA ASSOCIATION FOR ECONOMIC DEVELOPMENT.

Keith Watkins, Senior Vice President of Economic and Rural Development of the Arizona Commerce Authority (“ACA”) and Board Member of Arizona Association for Economic Development (“AAED”) was introduced.

Mr. Watkins gave a brief background on his qualifications and history with economic development.

Mr. Watkins explained that AAED is a membership-driven organization that serves to educate the public and elected officials on economic development and to offer up a voice at the legislature on public policy relating to economic development. It is largely a trade association with a broader mission of education and public policy.

Mr. Watkins said the Authority’s resources would be deployed to many of AAED’s members, which are made up of two distinct stakeholder groups – the economic development practitioners and the construction and trade-related businesses.

Mr. Thompson explained that the Authority hoped to find a trade association that could help match its members’ needs with the type of aid the Authority could give.

Mr. Watkins said he thought the Authority may be most beneficial in assisting with projects that are largely infrastructure related. He also added that it is very important for the Authority to have stringent parameters on its program to narrow down exactly who the Authority wants to serve.

Mr. Watkins explained that public dollars that are much better utilized when administered through a partnering governmental or like body and deployed in a fashion that would benefit more than one beneficiary. ACA has designed its grants to be infrastructure-related, and it grades its applicants/projects higher if there will be more than one beneficiary.

Mr. Watkins said AAED is not really the body that the Authority would want to partner with to achieve its grant/lending goal, as AAED does not generate projects and do not have the capacity to vet projects. The Authority would have more opportunities with organizations such as GPEC and ACA.

Mr. Watkins said ACA would have the ability to “get the word out” about the Authority, and could also vet projects for the Authority. ACA administers over \$100 million in any given year, so its accounting system and capacity to handle these types of projects are well-established. Many of those funds include federal grants.

2. PRESENTATION AND DISCUSSION BY REPRESENTATIVES OF ARIZONA COMMUNITY FOUNDATION.

Jacky Alling (Chief Philanthropic Services Officer), Kristen Nelson (Grants Manager) and James Lincoln (Project Manager) of Arizona Community Foundation (“ACF”) were present to speak on behalf of ACF.

Ms. Alling explained that some of her duties include overseeing the grant-making administration and special strategic initiatives such as affordable housing and impact investing. She also works with donors, donor advice funds and support organizations, and manages 13 community foundations across the state.

Ms. Nelson said she oversees the process and management in competitive grant cycles, specifically for ACF. Ms. Nelson works with corporate clients and affiliate offices in designing their programs and the execution of the programs.

Mr. Lincoln said he oversees impact investing. Mr. Lincoln said they distribute at least \$40 million each year in grants. He also oversees a \$12 million loan pool.

Ms. Alling said ACF has over 1,400 component funds whereby it works with individuals, families, communities and/or corporations to assist them to lead, serve and collaborate to mobilize philanthropy in the community. ACF assists its partners in refining their charitable goals and helps them to develop their grant criteria. ACF also keeps current on the legality of grant/loan-making and helps their partners to find solutions for their challenges. ACF even serves as the 501(c)(3) for organizations such as Fox Charities.

Ms. Alling explained ACF would typically recommend a 5% annual payout for a long-term fund; however, as a public charity, it is not required to do that. ACF always exceeds 5%.

Ms. Alling then explained the process ACF generally goes through with its partners to vet applicants, distribute and manage the funds.

Ms. Alling explained that ACF started an affordable housing fund approximately 8 years ago with LISC that acted like 0% interest loans for predevelopment, called recoverable grants, to help jumpstart affordable housing projects. These funds served as the risky upfront monies that were not available from traditional lending entities. This fund assisted in jumpstarting 33 affordable and supportive housing projects and created thousands of jobs.

Ms. Alling said ACF has fully-spendable funds, which act like endowed funds. They are invested like endowed funds and they have a 5% growth.

ACF has the ability to link its partners together to collaborate on projects to increase the size of the fund.

Ms. Alling said its investment committee meets quarterly, and the meetings are open to the public.

Ms. Alling explained the fees charged by ACF for supporting organizations begin at 1% at the million dollar threshold. There is a separate investment management fee as well. As the dollar amounts go higher, the fee is negotiable and slides down.

3. PRESENTATION AND DISCUSSION BY BRYANT D. BARBER, ESQ.

Bryant Barber and Frances Sjoberg of Lewis Roca and Rothgerber were present.

Mr. Thompson temporarily left the meeting.

Mr. Barber said one of the questions the Authority needs to deal with is how does the Authority develop name-recognition branding to induce investment bankers to come to the Authority. The Authority has always had a fantastic reputation; however, it is time for the Authority to make changes.

Innovation Strategy

Mr. Thompson returned to the meeting by telephone.

Direct placement is now becoming a huge part of the bond market, and the Authority needs to find a way to be included in on these types of projects. Mr. Barber said he felt the Authority should bring together its existing clients for new ideas in order to become more competitive in the marketplace.

Mr. Thompson left the meeting.

Integration with other County Resources

Mr. Barber said he thought it was important to get to know GPEC to find out what is the business leaders trying to attract into the County and what is going on in the community.

Mr. Barber said he will work with the Authority's legal counsel and Ms. Scharbach to create the mechanical steps for a strategic plan to draw in new business.

4. CONTINUED DISCUSSIONS AND ACTION AS DETERMINED ESTABLISHING AN AUTHORITY LOAN AND GRANT POLICY AND GUIDELINES.

After a lengthy discussion, the Committee agreed on the following items:

- a. To move forward with discussions with Bryant Barber regarding marketing efforts;
- b. Mr. McAllister will share the Authority's Community Investment Guidelines with ACF for its opinion;
- c. The Authority should develop "internal guidelines," which would include those guiding principles for community investments, i.e. what type of projects will the Authority entertain and from whom should the Authority accept applications (2 Supervisors, 1 Board Member);
- d. Total investments of \$6.5 million:

Principal Investment in a fully-spendable Maricopa County Community Investment Fund - \$5,500,000 (of which \$500,000 will be used for the first round of initiatives/grants)

Loans in a separate investment fund, hopefully to be matched by ACF partners - \$1,000,000

- e. Questions to have answered by ACF:

- I. What control will the Authority still have over those invested funds?
- II. Will the Authority give ACF a set amount of money all to be used for grants or will they just use the growth on those funds for grants?
- III. Will ACF match funds?

There was a discussion on deliverables the full Board will need to approve, some of which may include:

- a. Approve the process for recommending, including the ACF relationship along with documentation to support that relationship
- b. Internal charter
- c. Application
- d. Acknowledge ACF investment policy

The following comments to the Guidelines were suggested by Mr. Thompson; however, because Mr. Thompson had left the meeting, the discussion was postponed until the Committee's next meeting on November 5, 2014:

- The Authority will not accept applications from:
 - Political parties
 - Individuals
 - Religious organizations
 - Organizations that discriminate on the basis of race, color, gender, national origin, marital status, age, disability or veteran status
 - Start-up organizations, defined as organizations who have filed with the IRS within the last three years
- Will the Authority consider gap funding for non-profits or for profits

Ms. Scharbach then acknowledged the presence of Reid Butler at the meeting and explained that he is interested in gap funding for a project. She also reported of the numerous other potential applicants requesting grant funding from the Authority.

The Committee directed Ms. Scharbach to confirm with Reid Butler and any future applicants there is still a moratorium on loans/grants.

Mr. McAllister then explained that Marc Community Resources (“Marc”) is requesting a grant of \$100,000. He said they will have an application completed within the next day or two, and reported they do have the approval of Supervisors Chucuri and Barney. The funds will be used to help fund an activity center for senior citizens with severe disabilities and behavioral health challenges. Marc’s CEO and Deputy CEO, Randy Gray and John Moore, respectively, will present to the Board at the Authority’s October 14, 2014 Board meeting. Mr. McAllister reminded the Committee that Marc does have a previous relationship with the Authority with bonds that were issued for the benefit of Marc.

The Committee agreed to make an exception for the Marc grant request and bring it to the full Board for consideration without being vetted by the Committee. Mr. Ghelfi was present at the meeting and agreed to the Committee’s recommendation.

ADJOURNMENT:

With no further business to come before the Community Investment Committee, the meeting adjourned at 2:15 p.m.