



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

Date: April 7, 2015, 12:00 p.m.

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

Present: Victor D. Vidales (by telephone), William McAllister and Charles P. Thompson  
(Gregg Ghelfi and Lisa James (by telephone) were also present)

Absent: Jeremy Stawiecki

Executive Director: Shelby L. Scharbach

Administrators: Janis L. Larson and Kathleen Jakubowicz

Attorney: John J. Fries and William F. Wilder

Guests: Murray Boess and Gregory Cross

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Mr. McAllister chaired the meeting on behalf of Mr. Vidales. Mr. McAllister called the meeting to order at 12:10 p.m., noting the presence of a quorum.

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

**1. APPROVAL OF MINUTES OF THE COMMUNITY INVESTMENT COMMITTEE HELD ON MARCH 3, 2015.**

Mr. McAllister referred to the minutes distributed in the Committee Member packages.

MOTION by Mr. Thompson and seconded by Mr. McAllister to approve the minutes from the March 3, 2015 Community Investment Committee meeting.

The motion passed unanimously by a vote of (3-0).

**4. DISCUSSION AND ACTION AS DETERMINED REGARDING ESTABLISHING A MORTGAGE CREDIT CERTIFICATE PROGRAM TO BE ISSUED JOINTLY WITH THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA.**

Murray Boess of The Industrial Development Authority of the City of Phoenix, Arizona ("PIDA") was present to discuss a potential Mortgage Certificate Program ("MCC Program"). Mr. Boess said PIDA surveyed at least 30 different programs around the country, and found the majority of states have a similar MCC program.

The purpose of an MCC program is to provide a federal income tax credit to low-to-moderate income first-time homebuyers. Qualifying income levels are based on "household" income and are lower than the qualifying income limits in the joint Home in Five Program. The tax credit is a variable amount, with the homebuyer's tax credit being capped at \$2,000 per year with a rolling 3-year carryover.

The allowable tax credit percentage (whether it is 20% or 25% - determined by the Authority) is subtracted from the homebuyer's interest paid during the year as an income tax credit. The homebuyer can also take a deduction for the remaining amount. The average borrower normally recoups the cost they paid to participate in the MCC Program within the first 12 months.

A recapture tax would apply in this type of program if the homebuyer sells their home within the first 9 years of purchase.

Mr. Boess explained that eHousing, which currently administers the loans in the Home in Five Program, would be also be able to administer an MCC Program for a non-refundable fee of \$275 per loan application. The proposed fee to the homebuyer would be 0.5% of the loan amount.

Mr. Boess said if both PIDA and the Authority took all of their available private activity bond allocation, after paying costs for the allocation, he would estimate a breakeven point for the Authorities would be at approximately 160 loans. Once past

the breakeven point, revenue associated with the program would be estimated at approximately \$500 per loan.

Mr. Boess said PIDA is proposing the MCC Program include a 25% tax credit to first-time homebuyers with at least a 640 credit score, starting initially with just the Home in Five Participating Lenders to be paired with Home in Five loans. Homebuyer education classes and a home inspection would also be required.

Mr. Wilder said he felt it would be necessary to do an analysis to determine whether the Participating Lenders would welcome this type of program and what the effective income tax rate is on a typical borrower. Mr. Wilder said the federal government provides an earned income tax credit that takes many households' income down to paying no federal tax at all, so the homebuyer won't get the benefit of the credit. Mr. Wilder said he also thought someone should talk to a representative of The Industrial Development Authority of the City of Tucson, Arizona regarding their MCC Program ("Tucson IDA").

Mr. Boess said they will survey more lenders in the Home in Five Program to determine their interest in an MCC Program.

In response to a question from Mr. Ghelfi, Mr. Boess explained that he has found through speaking with other housing financing agencies ("HFAs") regarding their MCC Programs, HFAs use about 10%-25% of their allocation within the first year. Some programs have not worked out, but generally the lack of success has had to do with demographics.

Mr. Wilder suggested, and Committee Members agreed, it would be more prudent to take less volume cap to start the program to make sure the program is successful.

The Committee Members agreed there should be more lenders surveyed to ensure there is a market locally for this type of program. The goal would be to have the information from the lenders back in order to review the matter again at the CIC meeting in May. Mr. Boess agreed to survey the lenders.

**2. CONTINUED DISCUSSION REGARDING A REVISED GREATER PHOENIX ECONOMIC COUNCIL VELOCITY PROPOSAL AND ACTION AS DETERMINED.**

Mr. Ghelfi said Velocity is attempting to change the previously-submitted proposal to fund four separate projects:

- a. Project one – bring on EWI, a manufacturing facility that helps manufacturers find ways to be more efficient, to do a very extensive study to see if there is any value in starting a similar facility in the Phoenix area. If they find there is value, they would then start setting up a facility. Once the facility is set up, it becomes self-sufficient.
- b. Project two – determine how the area can be efficient on a global economy, and find a way to raise the level of industry around healthcare and centric technology, along with assisting with the application process to the federal government for a large grant for flexible technology.
- c. Project three – creation of the Entrepreneurial Eco System, which is the development of a website linking together accelerator groups, investors, businesses, etc.
- d. Project four – raise the amount of exports/imports going through the area.

Mr. Ghelfi said Velocity representatives plan to meet with as many Board Members as possible before potentially returning to present the revised proposal at the CIC meeting in May.

Ms. Scharbach reminded the Committee Members this project does have Supervisor approval.

**3. DISCUSSION AND ACTION AS DETERMINED REGARDING A GRANT REQUEST FROM THE VALLEY OF THE SUN UNITED WAY ON BEHALF OF THE FUNDING COLLABORATIVE WITH RESPECT TO THE MEN'S OVERFLOW SHELTER (ENDORSED BY MARICOPA COUNTY BOARD OF SUPERVISORS, PHOENIX MAYOR GREG STANTON AND TOM MANOS).**

Ms. Scharbach reminded the Committee Members that the Men's Overflow Shelter by the Human Services Campus (which normally held approximately 250 men) officially closed the end of March 2015, and the east parking lot, which held an overflow of homeless individuals, is on track to be closed by May 15<sup>th</sup>. The majority of the 250 men are not the chronically homeless, but the backlog of persons who do

not make it through the system in a timely manner. Assessments of these homeless individuals indicate about 55% - 60% could be put into "Rapid Rehousing," and would be the easiest to get back on their feet.

This grant request for \$1 million is being brought by Valley of the Sun United Way ("VSUW") on behalf of the Funders Collaborative. Funds for the total initiative, which is \$2.5 million, will come from the Authority (\$1 million), The Industrial Development Authority of the City of Phoenix, Arizona (\$1 million) and VSUW (\$500,000).

Ms. Scharbach explained that the Funders Collaborative, which is made up of Phoenix, Maricopa County, Valley of the Sun United Way, and other nonprofits, has been working tirelessly to take care of the displaced homeless situation.

The grant funds would go to navigation services to assist the homeless persons in finding housing and related services. It is estimated that it takes most homeless individuals anywhere from 6 to 18 months to become established enough to live on their own and stay out of homelessness.

Ms. Scharbach noted there are at least two Supervisors supporting this project.

MOTION by Mr. Vidales and seconded by Mr. Thompson to recommend to the full Board approving a grant in the amount of \$1 million to Valley of the Sun United Way on behalf of the Funders Collaborative for the rapid rehousing project.

The motion passed unanimously by a vote of (3-0).

**5. DISCUSSION AND ACTION AS DETERMINED REGARDING PARTICIPATION IN THE GREATER PHOENIX CHAMBER OF COMMERCE IMPACT AWARDS LUNCHEON.**

Mr. Vidales suggested sponsoring a table for the Greater Phoenix Chamber of Commerce's 28<sup>th</sup> Annual IMPACT Awards luncheon, and added it could be a great opportunity for the Authority to gain more visibility in the community.

Mr. Vidales said the Board may want to consider other similar opportunities to gain visibility when considering business development.

MOTION by Mr. Thompson and seconded by Mr. McAllister to recommend to the full Board approving the purchase of a table of 10 for \$950.00 for the Greater Phoenix Chamber of Commerce's 28<sup>th</sup> Annual IMPACT Awards luncheon.

The motion passed unanimously by a vote of (3-0).

*(Lisa James left the meeting.)*

**6. UPDATE AND STATUS REPORT REGARDING THE ROLE OF ARIZONA COMMUNITY FOUNDATION REGARDING GRANT PROCESS AND RELATED INVESTMENT MATTERS.**

Ms. Scharbach reported that she and Mr. McAllister have met with representatives of Arizona Community Foundation ("ACF") to finalize the documentation relating to the Authority's funds. The donor website information is being set up and she is working on having funds wired into the accounts. She and Mr. McAllister are also working with ACF staff on the actual grant application and the dialing in of criteria. Potentially, the grant process could be kicked off to start taking applications in the May/June timeframe with grants being awarded by July 1, 2015.

**7. REVIEW OF PROGRAM OVERVIEW PREPARED BY BILL MCALLISTER AND CONTINUED DISCUSSION AND ACTION AS DETERMINED REGARDING ESTABLISHING A BUSINESS DEVELOPMENT.**

Mr. McAllister referred to the PowerPoint presentation which is a draft of an overview of the Authority that could be used for business development. Mr. McAllister reviewed the same.

Mr. McAllister reported there will be an introductory meeting with the City of Mesa's economic development team within the next few days, and suggested using the revised presentation for that meeting.

Committee Members provided comments to the presentation.

Committee Members discussed developing relationships with various cities and economic development groups.

Mr. Thompson suggested an Authority representative be a presenter at the economic development professional's luncheon at the Phoenix Country Club.

Mr. Ghelfi referred to the Business Development Plan outline he prepared and questioned how aggressive the Authority would like to be to obtain future business. Mr. Ghelfi said he felt the Authority may want to consider hiring a dedicated business development person if the Authority wants to be more aggressive.

The Committee discussed and commented on the outline and agreed to review it again at the CIC in May.

Mr. Wilder suggested contacting Arizona Multifamily Association to determine if there is an opportunity to be part of a programming event.

Mr. Wilder reported on a project for Christian Care that would potentially be coming to the Authority for approval within the next couple of months. He also provided an update on the Coffelt-Lamoreaux project.

**8. UPDATES AND COMMENTS FROM CIC MEMBERS ON POTENTIAL PROJECTS.**

Mr. Vidales said Neighborhood Housing Services, n/k/a Trellis, is hoping to develop a program that would assist struggling homeowners with a reduction of principal on their mortgage. Trellis needs a lender that is willing to take the risk on borrowers that have been in default on their mortgage loans.

Trellis is requesting \$6 million from the Authority (which would be matched by State of Arizona funds) to create a perpetual loan fund to provide low interest loans for approximately 40 - 80 homeowners wherein \$50,000 to \$100,000 would be removed off the principal of the homeowner's mortgage loan to make their mortgage more affordable. After a period of 12 - 24 months, the homeowner would need to refinance their loan, at which time the amount of loan which would go back into the loan fund to be available to lend to other struggling families.

Mr. Vidales said he would schedule a follow up meeting with representatives of Trellis.

**ADJOURNMENT:**

With no further business to come before the Community Investment Committee, the meeting adjourned at 2:30 p.m.