



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

Date: January 5, 2016, 12:00 p.m.

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

Present: William McAllister, Charles P. Thompson, Jeremey Stawiecki
and Ronald Westad – also present was Victor Vidales

Absent: None

Executive Director: Shelby L. Scharbach

Business Development
Officer: Gregg Ghelfi

Administrators: Janis L. Larson and Kathleen Jakubowicz

Attorney: William F. Wilder and John J. Fries

Guests: Paul Pickett of Arizona Business Bank, Mike Cowley and Greg
Fletcher of Cowley Companies, Cindy Stotler of the City of
Phoenix, Paul Magallanez of PIDA

Mr. McAllister called the meeting to order at 12:06 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 DECEMBER 1, 2015.

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

MOTION by Mr. Thompson and seconded by Mr. Stawiecki to approve the minutes from the December 1, 2015 Community Investment Committee meeting.

The motion passed unanimously by a vote of (4-0).

2. DISCUSSION AND ACTION AS DETERMINED REGARDING A LOAN REQUEST FROM COWLEY CO.

Mike Cowley, President of Cowley Companies, Greg Fletcher, CFO of Cowley Companies, and Paul Pickett, First Vice President of Arizona Business Bank's Commercial Real Estate Department, all were present in support of a loan request.

Mr. Cowley gave some background on Cowley Companies. Cowley Companies is primarily a real estate investment company with a portfolio of approximately 2 million square feet of both industrial and office space. Cowley Companies is in the process of working on a 120,000 sq. ft. project with Arizona Business Bank in the Warehouse District south of Chase Fields at 515 East Grant Street in Phoenix, Arizona. Mr. Cowley said the property was built in the 1940s as the associated grocers' warehouse for Phoenix and was served by the railroad. Mr. Cowley said Cowley Companies has owned the building for 10 years, and is currently leasing it out as industrial space. The budget for the build-out of the property is approximately \$12 million.

Cowley Companies also owns the building across the street from 515 East Grant Street, and leases out 30,000 sq. ft. to WebPT, a local tech company that provides backup office resources to physical therapists, both nationally and internationally. WebPT employs approximately 225 fulltime employees.

Negotiations are currently underway with WebPT to expand into the 515 East Grant Street property for 52,000 sq. ft. The remainder of the 120,000 sq. ft. building is leased to a Denver-based company called Galvanize, which is a tech educator and tech coding work space.

Mr. Pickett explained that Cowley Companies has been a customer of Arizona Business Bank for over 10 years; however, due to the existing commitments with Cowley Companies, Arizona Business Bank has a cap on the amount of money it can lend to Cowley Companies so they will need to find a co-lender on this project.

Mr. Cowley reported The Industrial Development Authority of the City of Phoenix, Arizona (the "Phoenix IDA") has committed a \$900,000 loan to Galvanize for FF&E, the repayment source of which is a grant that was negotiated with the City of Phoenix that pays Galvanize \$1,000 per student graduating from their tech education program. They believe the grant monies will repay the Phoenix IDA plus the interest on the loan. An economic impact study has been completed by GPEC on Galvanize which shows the number of jobs created, and the numbers reported are substantial.

Mr. Cowley said the gap between the budget for the project and the loan from Arizona Business Bank is \$6 million. The term of the loan will be 12 months with a 12-month potential extension. It is Cowley's intention to obtain permanent financing on the construction/rehab loan as soon as the rehabilitation on the project is complete and the space has been leased out, which, conservatively, should be two years. Cowley will make payments during that two-year period, including interest at 3% above the 30-day LIBOR rate.

Mr. Cowley explained that Phoenix has been challenged by the lack of tech talent in the area, so GPEC has been attempting to lure that type of business into the Valley. Galvanize will be training programmers, specifically for Allstate Insurance Company, who has committed to employ at least 25 students each year from the Galvanize program. The Galvanize program is a 6-month non-accredit program with tuition for the 6-month program being \$25,000. Galvanize guarantees their graduating students a job with starting salary of at least \$60,000 or they refund 100% of the tuition. Galvanize has graduated over 2,000 in the last two years, with a 97% placement. Galvanize is reporting the average salary right out of school is over \$75,000 a year.

Mr. Cowley added that WebPT, a local company, plans to grow from 225 employees to over 300 employees when they have additional space in the 515 East Grant Street building.

Mr. Pickett explained that WebPT has excellent software packages for physical therapists and is being recognized as a leader in the industry.

Discussion ensued regarding the potential loan and the lack of the Authority's specific loan policy.

After a lengthy discussion, a motion was made by Mr. Westad and seconded by Mr. Stawiecki to recommend to the full Board the consideration of a \$6,000,000 loan to 515 Grant Holding, LLC/Cowley Companies for a term of 12-months with a 12-month extension option, at a rate of 3% above the 30-day LIBOR rate, with the following requirements:

- A lienholder position which is pari passu to that of Arizona Business Bank;
- Receive a full-recourse guarantee relative to the principals or be comfortable with the guarantee;
- Administration and servicing to be provided by Arizona Business Bank;
- Listed on title insurance policy and other loan documents;
- Understand the draw process and ensure Arizona Business Bank receives unconditional lien releases;
- Obtain an independent underwriter to review the project;
- Ensure the loan and loan amount is consistent with what is required from a takeout lender;
- Receive and review GPEC's study on Galvanize;
- Secure the appraisal, environmental documents, title report, financials, bank write-up, and any other document necessary to underwrite the loan;
- Agree to non-disclosure agreements between the appropriate parties;
- Work with legal counsel on an intercreditor agreement.

The motion passed unanimously by a vote of (4-0).

Ms. Scharbach and Mr. Ghelfi were tasked to follow up with Cowley Companies and Arizona Business Bank to determine whether the Authority's loan requirements would be achievable.

7. DISCUSSION AND ACTION AS DETERMINED REGARDING A GRANT REQUEST FROM THE CITY OF PHOENIX FOR THE CHOICE NEIGHBORHOOD PLANNING GRANT.

Mr. Vidales introduced Cindy Stotler, Housing Director for the City of Phoenix, to give a presentation on the requested grant. Mr. Vidales said he was sponsoring the grant request.

Ms. Stotler explained that the City of Phoenix is applying for the Choice Neighborhood Planning Grant (the "Grant Project") through HUD, which has a

deadline of February 9, 2016. She explained that the Grant Project is basically the next step in the Hope VI program, which was developed to assist housing departments throughout the nation to redevelop public housing. The purpose of the Grant Project is to transform distressed neighborhoods with public housing into revitalized neighborhoods linking housing improvements with appropriate services, schools, amenities, public assets, transportation and access to jobs. Phoenix has identified the targeted area as the Edison-Eastlake Choice Neighborhoods Community, which is one of the poorest communities in the Valley having a poverty rate of over 50%. A portion of the identified area has a poverty rate of 81.85%. Ms. Stotler said this area, which lies within the boundaries of I-10 on the east and north, the railroad tracks on the south and 16th Street on the west, has the highest concentration of public housing in the state of Arizona.

Ms. Stotler said it will be necessary for the City of Phoenix to identify the redevelopment plan for the entire neighborhood, including plans over the next two years to improve schools, parks, transportation, etc.

Ms. Stotler explained that it will be necessary to raise a \$500,000 cash leverage to be used to develop the redevelopment plan that will be necessary to submit to HUD for a HUD grant of \$30 to \$40 million. The City of Phoenix requested \$50,000, which should be matched by the Phoenix IDA and the Arizona Housing Department. The City of Phoenix will also be contributing \$250,000 toward the cash leverage.

After further discussion, a motion was made by Mr. Westad and seconded by Mr. McAllister to recommend to the full Board the consideration of a \$50,000 grant to the City of Phoenix to be used for the Choice Neighborhood Planning Grant.

The motion passed unanimously by a vote of (4-0).

3. CONTINUED DISCUSSIONS AND ACTION AS DETERMINED REGARDING ESTABLISHING A LOAN PROGRAM AND ESTABLISHING LOAN POLICIES AND GUIDELINES.

The Committee Members agreed to discuss this matter at the Authority's Planning Session on February 18th.

Mr. Thompson pointed out Section III(a) Public Purpose of the Authority's Guidelines for Community Investments, and said he did not think the Authority should support "educational" programs. Also, Mr. Thompson pointed out the types of borrowers referred to in Mr. Ghelfi's proposed guidelines distributed to Committee Members should not include "governmental agencies."

4. DISCUSSION AND ACTION AS DETERMINED REGARDING THE 2016 GRANT CYCLE THROUGH ARIZONA COMMUNITY FOUNDATION.

Ms. Scharbach suggested, and the Committee Members agreed, that the Authority postpone the next grant cycle until after the Authority's February 18th Planning Session.

5. DISCUSSION AND ACTION AS DETERMINED REGARDING IMPROVING THE PROCESS FOR BOND FINANCING.

Mr. Ghelfi said the redevelopment of the website may help in revising the Authority's application procedure and make it easier to apply for bond financing.

Mr. Vidales suggested also streamlining the process for small bond issues, i.e. under \$1,000,000. Mr. Ghelfi said it will be necessary to identify law firms that are willing to work at a reduced rate with specific standardized sets of documents to make the transaction affordable.

6. UPDATES AND COMMENTS FROM CIC MEMBERS.

There were no additional comments from Committee Members.

ADJOURNMENT:

With no further business to come before the Community Investment Committee, the meeting adjourned at 1:36 p.m.