



Minutes
of the
Regular Meeting of Board of Directors of
The Industrial Development Authority of the County of Maricopa
(the "Authority")

Date: May 12, 2015, 9:00 a.m.

Place: Maricopa County Administration Building
Board of Supervisors Conference Room
301 West Jefferson, 10th Floor
Phoenix, Arizona

Presiding: Gregg J. Ghelfi

Present: Gregg J. Ghelfi, Jeremy Stawiecki, Victor D. Vidales, Steven Bales, Jr., William McAllister, Ronald L. Westad, and Charles P. Thompson (telephonically)

Absent: David M. Adame and Lisa A. James

Executive Director: Shelby L. Scharbach

Administrators: Janis L. Larson and Kathleen Jakubowicz

Attorney: William F. Wilder and John J. Fries of Ryley Carlock & Applewhite

Mr. Ghelfi called the Regular Meeting of the Board of Directors of the Authority to order at 9:03 a.m., noting the presence of a quorum.

1. APPROVAL OF MINUTES OF THE REGULAR MEETING OF THE BOARD HELD ON APRIL 14, 2015.

On motion made by Mr. Bales and seconded by Mr. McAllister, the minutes of the April 14, 2015 Board meeting were approved as submitted.

The motion passed unanimously by a vote of (7-0).

2. DISCUSSION AND ACTION AS DETERMINED REGARDING ADOPTION OF A RESOLUTION GRANTING PRELIMINARY APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$85,000,000 OF THE AUTHORITY'S REVENUE BONDS FOR THE BENEFIT OF CHRISTIAN CARE SURPRISE, INC., TO FINANCE THE ACQUISITION AND

CONSTRUCTION OF A 313-UNIT SENIOR LIVING FACILITY LOCATED AT 16477 WEST BELL ROAD AND 16640 NORTH SARIVAL AVENUE, SURPRISE, ARIZONA.

Mr. Wilder explained that Christian Care Surprise, Inc. (the "Applicant"), is requesting \$85 million of revenue bonds for their yet-to-be built 313-unit senior living facility, which will be adjacent to Sun City Grand, an upscale-independent living senior community in the West Valley.

Mr. Wilder reminded the Board that the Authority has participated in approximately five bond financings with the Applicant over the past 10 years.

Mr. Wilder introduced John Norris, CEO of the Applicant, and Bryant Barber of Lewis Roca and Rothgerber, bond counsel.

Mr. Wilder said a feasibility study has been commissioned that includes a demand study, and will be shared with the Board when available.

Mr. Wilder said he would recommend approval of the proposed bond financing.

Mr. Norris said the 313-unit facility will be comprised of independent, assisted-living, and memory support units, and will be situated on 14.6 acres. CliftonLarsonAllen has been commissioned to conduct the financial feasibility and market study, and Integra Realty Resources has been engaged to do an appraisal of the finished property.

Mr. Norris said it is estimated the project will take 20 months to complete, and they expect to receive 95% occupancy within 30 months of close of escrow. Premarketing has already begun, and there is currently a wait list for the project. Projections indicate they will cover debt at a 1.46 debt service coverage ratio.

Series B Bonds will be BBB rated by Standard & Poor's, and the senior indebtedness will be an "A" rated issue. Christian Care will put in \$3.2 million of equity of cash, plus an additional \$235,000 in a deferred developer fee.

Mr. Norris said he believed the project costs will be in the neighborhood of \$75 million to \$85 million.

In response to a question from Mr. Bales, Mr. Norris said they estimate the appraised value of the finished property to be in the neighborhood of \$75 million to \$80 million.

Mr. Barber explained there will be two series of bonds, and owner profits from previous projects will be pledged to the subordinate bonds. \$600,000 from the Applicant's equity will be set aside to provide rent subsidies to tenants within the facility.

After further discussion and upon motion made by Mr. Vidales and seconded by Mr. Stawiecki, the following was adopted:

RESOLVED to adopt the Resolution in the form presented to the meeting, granting preliminary approval to Christian Care Surprise, Inc. for the issuance of not to exceed \$85,000,000 of the Authority's revenue bonds, the proceeds of which will be used for the purposes set forth in the form of Resolution.

The motion passed unanimously by a vote of (7-0).

3. DISCUSSION AND ACTION AS DETERMINED REGARDING THE SECOND EXTENSION OF PRELIMINARY APPROVAL FOR THE COFFELT-LAMOREAUX PUBLIC HOUSING DEVELOPMENT PROJECT.

Mr. Wilder reminded the Board that the Authority granted preliminary approval to the Coffelt-Lamoreaux project (the "Coffelt Project") on June 11, 2013 for the purpose of the redevelopment of the housing development that was originally built near the end of the Korean War to provide housing for returning veterans. The project is owned by the Housing Authority of Maricopa County ("Housing Authority"), and the developer of the project is Gorman & Company ("Gorman").

Mr. Wilder explained that the applicant has previously requested extension of their preliminary approval, which was extended through June 30, 2015, and is now requesting a second extension for an additional 6 months.

Brian Swanton of Gorman and Gloria Munoz, Executive Director of the Housing Authority, were introduced.

Ms. Munoz said the Coffelt Project is composed of 301 units, and is the oldest property owned by the Housing Authority and the top priority for rehabilitation. The property is currently approximately 60% occupied in anticipation of the rehabilitation and need to move families. The property will house 600-700 adults and 600-700 children once fully-occupied.

Ms. Munoz invited the Board Members to the Coffelt Stakeholder meeting to be held on May 26, 2015, at the Coffelt Project.

Mr. Swanton gave a PowerPoint presentation and updated the Board on the progress of the project. Mr. Swanton said the Coffelt Project is adjacent to the Arthur M. Hamilton School, whose student body is composed of 75% students from the Coffelt Project. The Coffelt Project rehabilitation is being made possible by HUD's Rental Assistance Demonstration Program ("RAD"), which allows housing authorities to convert old-style public housing units into a project-based Section 8 subsidies, and allows the housing authorities to enter into public-private partnerships.

Mr. Swanton explained that delays in the project are due to timing issues with HUD, obtaining historic tax credits and low income housing tax credits ("LIHTC"). Sterns Bank will be purchasing \$6 million of historic tax credits, and Berkshire Hathaway will purchase the LIHTCs. This is the first project in Arizona to receive a RAD

award by HUD. The FHA financing process could take anywhere from two to six months. All of the funding sources are 100% committed to the project.

Mr. Swanton said construction on the project is expected to be completed within 20 months, and there are currently more than 1,000 households on the waiting list to get into the Coffelt Project.

Mr. Swanton introduced Rebecca Flanagan, Director of the Phoenix HUD office and consultant with Gorman. Ms. Flanagan said they have been working with the Arthur M. Hamilton School to keep the teachers, students, and parents engaged since they are big stakeholders in the success of the Coffelt Project.

Mr. Swanton said the plans for the Coffelt Project are now approved through the Maricopa County Planning & Development Department. It is estimated rehabilitation costs will be approximately \$90,000 per unit.

Mr. Vidales asked if there are plans to help support the tenants of the Coffelt Project relating to job skills to encourage the tenants to eventually move into a better economic condition. Ms. Munoz said the Coffelt Project's Community Center is approximately 13,000 square feet, and will contain a computer center, fitness center, theater, and a federally-designated healthcare provider. Plans are to enter into an intergovernmental agreement with Maricopa County Workforce Connection to provide services for training, education and jobs.

Mr. Westad suggested providing a longer extension to the preliminary approval resolution than set forth in the form of resolution to March 31, 2016.

In response to a question from Mr. Thompson regarding ownership interest in the property, Mr. Swanton said every tax credit transaction requires the formation of a limited liability company ("LLC"). The LLC in this case will be 99.9% by Berkshire Hathaway and 1% split between the Housing Authority and Gorman (51%/49% respectfully.) There is a requirement the Housing Authority stays actively involved and has some element of control throughout the entire duration of the process. After the operating deficit guarantee period expires, which is approximately 5 years from stabilization, the Housing Authority can buy out Gorman. At year 15, the Housing Authority has the right of first refusal to buy out the 99.9% investor's interest.

Mr. Thompson questioned the affects this rehabilitation project will have on the Arthur M. Hamilton School. Mr. Swanton said the school will not lose their ADA money; however, there has been an impact on funding because of the decline in the student body caused by a lower occupancy rate in the Coffelt Project.

Mr. Thompson voiced his concern regarding the metal junkyard to the west of the Coffelt Project, and questioned the contamination of ground water from the junkyard. Mr. Swanton said environmental studies have been completed, and they found no contamination issues.

After further discussion and upon motion made by Mr. Westad and seconded by Mr. Vidales, the following was adopted:

RESOLVED to adopt the resolution in the form presented to the meeting extending the previously granted preliminary approval to Coffelt-Lamoreaux, LLC for the issuance of not to exceed \$25,000,000 of the Authority's revenue bonds through March 31, 2016.

The motion passed unanimously by a vote of (6-0). Mr. Thompson abstained from voting.

4. **CONSIDERATION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION APPROVING THE SALE OF THE SECURITIES BACKING THE SINGLE FAMILY MORTGAGE REVENUE BONDS, SERIES 2006-1, 2006-2, 2006-3, 2007-1, 2007-2, 2007-4, 2007A-1, AND 2007A-2 (THE "BONDS") ISSUED JOINTLY BY THE AUTHORITY AND THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA, AND/OR THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF PIMA, AUTHORIZING THE REDEMPTION OF THE BONDS AND AUTHORIZING AND APPROVING OTHER RELATED MATTERS.**

Mr. Wilder introduced Scott Riffle of George K. Baum & Company, who participated by telephone, and Pat Ray of Kutak Rock, bond counsel.

Mr. Wilder referred to a previously-distributed memorandum that sets forth the history of similar actions taken by the Board in 2009, 2011, 2012, 2014 to sell off the mortgage-backed securities backing housing bonds that were issued up until 2007. Mr. Wilder explained that there may be an opportunity for the Authority to again sell off the mortgage-backed securities for the Series 2006-1, 2006-2, 2006-3, 2007-1, 2007-2, 2007-4, 2007A-1, and 2007A-2 at a premium and earn a profit based upon the spread between what the securities sell for and the portion of the proceeds used to redeem bonds.

Ms. Scharbach referred to the updated Sources and Uses of Funds prepared by George K. Baum, and explained the proceeds of the sale would be divided amongst the Authority, the Phoenix IDA and the Pima IDA. Currently, the estimated gross surplus for the Series 2007A-1 and 2007A-2 are not showing a profit so a decision will need to be made whether to proceed with the sale of those two series.

After further discussion and upon motion made by Mr. McAllister and seconded by Mr. Stawiecki, the following was adopted:

RESOLVED to adopt the Resolution in the form presented to the meeting authorizing the sale of all Government National Mortgage Association and Fannie Mae Certificates securing the Authority's, City of Phoenix IDA's and Pima County IDA's Single Family Mortgage Revenue Bonds, Series 2006-1,

2, and 3, Series 2007-1, 2, and 4, and the Authority's and the City of Phoenix IDA's Series 2007A-1 and A-2, and authorizing the use of the proceeds from the sale thereof to redeem the Bonds of the foregoing Series and to pay transaction costs related thereto; and to authorize the Executive Director to take all such actions as are necessary or appropriate to accomplish the foregoing.

The motion passed unanimously by a vote of (7-0).

5. DISCUSSION AND ACTION AS DETERMINED REGARDING THE RECOMMENDATION OF THE AUTHORITY'S COMMUNITY INVESTMENT COMMITTEE REGARDING THE GREATER PHOENIX ECONOMIC COUNCIL VELOCITY PROPOSAL.

Mr. Vidales reported the Community Investment Committee (the "CIC") received a presentation on May 5, 2015, by representatives of Velocity, and after the presentation unanimously voted to recommend to the full Board a grant totaling \$380,000, which would include \$330,000 to bring EWI, an Advanced Manufacturing Innovation Institute, to the region and \$50,000 for an Advanced Flexible Hybrid Electronics Institute in Maricopa County.

Mr. Vidales referred to the four grant requests highlighted on page 3 of the Velocity proposal that was previously distributed to the Board.

Mr. Vidales explained that the CIC did not deny the other grant request items, but asked that those items be brought back to the CIC at a later date.

Ms. Scharbach introduced John Graham, Interim Chairman for Velocity, and Margery Brown, the Chief Operating Officer of Greater Phoenix Economic Council ("GPEC").

Mr. Graham said the Velocity program will help to change the trajectory of the economy in the area in a positive way and help the area to become a higher wage economy.

Ms. Brown gave a PowerPoint presentation regarding Velocity and the items being recommended by the CIC. A copy of the presentation is attached hereto.

Ms. Brown reported on the background of EWI, and explained that there are over 3,000 manufacturing establishments in this area, which make up over 9% of the area's economy. The EWI institute will assist these manufacturing establishments to become more innovative and competitive.

In response to a question from Mr. McAllister, Ms. Brown explained that Velocity is set up as a separate non-profit organization, and plans to hire someone to oversee the contract with EWI.

Ms. Brown then discussed the Advanced Flexible Hybrid Electronics Institute, which would include taking circuit boards and applying them to flexible components, such as fabrics to be used in areas such as medical devices, wearable electronics, vehicle structural sensors, etc.

Ms. Brown said future funding requests to the Authority will include the creation of a Commercialization Center in Sensor Technology.

Mr. Bales asked what other companies are being asked to participate financially in the Velocity projects. Mr. Graham said there are many requests out currently, including GPEC, ASU, U of A, EWI, APS and private industry. GPEC has been working on the project for two years. Ms. Brown said they have also received federal grants.

After further discussion and upon motion made by Mr. Thompson and seconded by Mr. McAllister, the following was adopted:

RESOLVED to approve a grant to Velocity of \$380,000, which includes \$330,000 to bring EWI, an Advanced Manufacturing Innovation Institute, to the region and \$50,000 for an Advanced Flexible Hybrid Electronics Institute in Maricopa County.

The motion passed unanimously by a vote of (7-0).

Mr. Thompson left the meeting at 10:40 a.m.

6. DISCUSSION AND ACTION AS DETERMINED REGARDING THE RECOMMENDATION OF THE AUTHORITY'S COMMUNITY INVESTMENT COMMITTEE REGARDING THE PROPOSAL THE AUTHORITY JOIN WITH THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA IN SPONSORING A MORTGAGE CREDIT CERTIFICATE PROGRAM.

Ms. Scharbach introduced Murray Boess of The Industrial Development Authority of the City of Phoenix, Arizona ("PIDA") and explained that Mr. Boess has made two presentations to the CIC regarding PIDA's proposed mortgage credit certificate program ("MCC Program") to discuss a potential partnership with the Authority.

Ms. Scharbach said after a lengthy discussion, the CIC did not feel the MCC Program was a good fit at this time, but was willing to allow PIDA the ability to open their program to residents within all of Maricopa County. If the MCC Program issued by PIDA is successful, the Authority may at a later date wish to discuss partnering with PIDA on a similar program.

Mr. Boess said PIDA will report back to the Authority regarding the progress of the MCC Program for consideration for possible future programs.

After further discussion and upon motion made by Mr. Vidales and seconded by Mr. McAllister, the following was adopted:

RESOLVED to allow The Industrial Development Authority of the City of Phoenix, Arizona to sponsor its mortgage credit certificate program and to issue mortgage credit certificates within the boundaries of Maricopa County, on terms and subject to conditions as set forth in a written agreement to be prepared and acceptable to the Executive Director, based on advice of legal counsel.

The motion passed unanimously by a vote of (6-0).

7. LEGISLATIVE REPORT, DISCUSSION AND ACTION AS DETERMINED.

Courtney LeVinus distributed the 2015 End of Session Report and briefly discussed the same.

Ms. LeVinus said there is a possibility of the Legislature going into executive session during the summer if there is an agreement reached on inflationary funding for the schools.

8. DISCUSSION AND ACTION AS DETERMINED REGARDING THE 2012 HOME IN FIVE ADVANTAGE MORTGAGE ORIGINATION PROGRAM.

Ms. Scharbach reported the program has closed, or is in the process of closing, 5,246 loans totaling approximately \$862 million. The current mortgage loan rate in the program is 4.50% for a 30-year fixed loan.

9. PAYMENT OF INVOICES.

Ms. Scharbach referred to the invoices previously distributed to the Board Members for the month ended April 30, 2015, and reviewed the same.

Mr. Bales moved to approve the payment of invoices as submitted for the period ended April 30, 2015. Mr. McAllister seconded the motion.

The motion passed by a vote of (6-0).

10. FINANCIAL REPORT.

Ms. Scharbach distributed the unaudited financial statements for the period ended April 30, 2015, and gave a brief update.

11. PRESIDENT'S REPORT.

Mr. Ghelfi thanked the CIC members for their continued work with the grant process.

12. EXECUTIVE DIRECTOR'S REPORT.

Ms. Scharbach reported there will a meeting with ACF representatives on May 13th, and plans to have the first grant cycle begin by June 2nd should be on track.

13. LEGAL COUNSEL REPORT.

Mr. Wilder reported the IRS examination on the Dobson Village Apartments project has been closed.

14. COMMENTS FROM BOARD MEMBERS.

Mr. Vidales questioned whether the Nova Home Loans investigation had been finalized. Mr. Wilder said the investigation is ongoing, and Nova Home Loans now has the assistance of Kutak Rock, Raymond James and US Bank, as this investigation could affect the entire Home in Five program and all similar programs throughout the country.

Mr. Westad asked about the possible reduction in administrative fees as suggested by Mr. Wilder for customers of the Authority. Mr. Ghelfi said he felt this was a discussion that should be reviewed by the CIC. Mr. Westad suggested there be consistent framework to the decision.

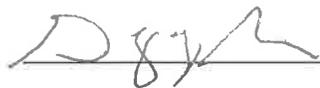
Mr. Westad was introduced at the Authority's newest Board Member.

15. CALL TO THE PUBLIC.

No other members of the public responded.

ADJOURNMENT

With no further business to come before the Authority, upon motion made and duly seconded, the Regular Meeting was adjourned at 11:05 a.m., without objection.

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