

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

Date: October 9, 2018, 9:30 a.m.

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

Presiding: Ron Westad

Present: Ron Westad, Ronald J. Castro, Jr., Jim Rounds, Lisa A. James
(telephonically), Maria Spelleri (telephonically) and Doug
Smith (telephonically)

Absent: Jeremy Stawiecki, Steven Bales, Jr. and Rebecca Burnham

Executive Director: Shelby L. Scharbach

Administrators: Janis L. Larson and Kathleen Jakubowicz

Business Development
Officer: Gregg J. Ghelfi

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

Mr. Westad called the Regular Meeting of the Board of Directors of the Authority to order at 9:32 a.m., noting the presence of a quorum.

**1. APPROVAL OF MINUTES OF THE REGULAR MEETING OF THE BOARD
HELD ON SEPTEMBER 11, 2018.**

On motion made by Mr. Smith and seconded by Mr. Castro, the minutes of the September 11, 2018 Regular Meeting were approved as submitted.

The motion passed unanimously by a vote of (5-0).

2. DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION GRANTING APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$80,000,000 OF THE AUTHORITY'S REVENUE BONDS FOR THE BENEFIT OF BENJAMIN FRANKLIN CHARTER SCHOOLS – QUEEN CREEK.

Mr. Wilder reminded the Board that the Benjamin Franklin Charter School will be converting from a for-profit organization to a nonprofit. They have four schools – three elementary schools – 1 in Gilbert and 2 in Queen Creek, along with a high school in Queen Creek. The bond proceeds will be used to finance the acquisition from the for-profit to the nonprofit of the four school facilities, to pay for an art facility at the high school and pay, as needed, reserves that were created for the bonds and/or cost of issuance related to the bonds or capitalized interest.

Ms. Spelleri joined the meeting at 9:35 a.m.

Mr. Wilder introduced Jim Blandford of Robert W. Baird & Co., Underwriter; Brigitte Finley-Green of Engelman Berger, Bond Counsel; and Eddie Farnsworth, a representative of Benjamin Franklin Charter School – Queen Creek (the “Applicant”).

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

RESOLVED to adopt a Resolution in the form presented to the meeting authorizing and approving the issuance of not to exceed \$80,000,000 The Industrial Development Authority of the County of Maricopa Education Revenue Bonds (Benjamin Franklin Charter School Projects), Series 2018 A & B.

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

3. DISCUSSION AND ACTION AS DETERMINED TO CONSIDER A LOAN PARTICIPATION ARRANGEMENT WITH LISC FOR THE HERITAGE AT SURPRISE PROJECT.

4. DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION GRANTING APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$12,000,000 OF THE AUTHORITY'S REVENUE BONDS FOR THE BENEFIT OF HERITAGE AT SURPRISE.

Agenda items 3 and 4 were discussed together.

Gloria Munoz, Executive Director of the Housing Authority of Maricopa County (“HAMC”), introduced the following persons who were in attendance at the meeting in support of the Heritage at Surprise project: Pat McNamara of Local Initiative Support Corporation (“LISC”), Brian Swanton, CEO and President of Gorman &

Company and co-developer on the Heritage at Surprise project, and Sally Schwenn, Arizona Market President of Gorman & Company.

Ms. Munoz reminded the Board of their previous partnership with HAMC and Gorman to complete the Coffelt-Lamoreaux project and thanked the Board for their grant of \$500,000 for the community center.

Ms. Munoz explained that HAMC's strategic plan is to end chronic homelessness, with their major goal being the repositioning of their existing properties. Coffelt-Lamoreaux was their largest property they repositioned, and Heritage at Surprise is the last project in HAMC's portfolio that they will be repositioning.

Homelessness in Maricopa County is huge, with over 6,000 people living on the streets. Some of the units within the Heritage at Surprise project will be used for the people that are experiencing homelessness.

Ms. Schwenn gave some background on Gorman & Company, and stated that Gorman has become one of the top Rental Assistance Demonstration ("RAD") developers throughout the nation and one of the top 10 housing developers in the United States within the last 4 to 5 years, having completed 8,500 units in 100 projects within nine states – 1,100 of those units being in Arizona.

Ms. Schwenn reminded the Board that the Heritage at Surprise project will consist of 100 affordable housing units, of which 70 units will be RAD units and the remaining 30 units will be low income housing tax credit units. The project will also have a community center and social and supportive services available on site.

Ms. Munoz explained that in order to complete the project, HAMC will need an additional \$2,000,000 bridge loan. The request of the Authority would be to enter into a 50/50 partnership with LISC, each contributing \$1,000,000 toward the loan. Repayment of the loan will be made through the sale of HAMC's 70 single family homes once the Heritage at Surprise project is complete, and the tenants in those 70 single family homes are moved over to the Heritage at Surprise project.

Mr. Swanton reminded the Board that the 70 homes owned by HAMC are currently public housing units through the RAD program from HUD. The subsidy will be lifted off of these 70 homes and bundled into a long-term project-based Section 8 housing contract in the Heritage at Surprise project.

Mr. Fries explained that HAMC and Gorman first brought the need for gap funding to the Board in May 2018 and inquired as to whether the Authority would be willing to provide a gap funding loan in the amount of \$2,000,000. After investigation into how the loan would be serviced and repaid, HAMC came back with a new proposal for the Authority to enter into a partnership with LISC. The loan would have a term of 36 months. LISC would service the loan and own the loan, and the Authority would buy a participation in the loan for \$1,000,000. The anticipated interest rate to be charged by the Authority would be 3% interest and there would be a servicing fee of

25 basis points payable to LISC. HAMC would also post additional security with its Norton Circle property located in Avondale valued at \$2,600,000. The loan would be repaid with the sale of the 70 single family homes.

Mr. McNamara of LISC responded to questions from the Board Members, and explained that LISC has currently given credit approval for a \$2,000,000 participation agreement with the Authority, with both entities contributing \$1,000,000. LISC would anticipate charging a higher interest rate than the Authority to make up for their cost of borrowing funds and the cost of doing business.

Mr. Ronald asked that cash flow projections from the Norton Circle project be made available for review. Ms. Munoz said the Norton Circle is currently 98% occupied, and an income approach appraisal will be ordered and presented to LISC and the Authority. Mr. Swanton said they would also provide LISC and the Authority with a title report and the recorded use restrictions.

The Board Members discussed that they would prefer to authorize Ms. Scharbach to work with LISC, with the advice of counsel, to finalize the terms and conditions of the loan agreement - with a stipulation that the Authority receive the additional due diligence items prior to executing any agreements with LISC.

With respect to agenda item No. 3:

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

RESOLVED to approve the Authority's participation in a loan agreement with LISC, either as a co-lender or a participant, subject to final terms and conditions to be negotiated with LISC to be secured by the Norton Circle project as a viable asset in the event of foreclosure and to ensure, absent the sale of any homes, there is adequate cash flow for the debt to be appropriately serviced.

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

With respect to agenda item No. 4:

Mr. Wilder explained that this matter will be issued as a "note" rather than "bonds." The note will be acquired by JP Morgan Chase during the construction period, and then Federal National Mortgage Association will acquire the note and hold it after construction.

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

RESOLVED to adopt a Resolution in the form presented to the meeting authorizing and approving the issuance of not to exceed \$12,000,000 The

Industrial Development Authority of the County of Maricopa Multifamily Housing Revenue Note (Heritage at Surprise Project), Series 2018.

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

7. DISCUSSION AND ACTION AS DETERMINED REGARDING CONTRACTING WITH CAPITOL CONSULTING, LLC TO PROVIDE LEGISLATIVE SERVICES.

Agenda item number 7 was taken out of order.

Ms. Scharbach recommended to the Board that they extend the current contract with Capitol Consulting for the period ending on October 31, 2020. Ms. Scharbach pointed out that the original contract specifically named Tom Manos as Executive Director, so the original contract may need to be updated.

MOTION by Mr. Castro and seconded by Mr. Rounds to approve the Amendment to Agreement for Consulting Services for legislative services with Capitol Consulting, LLC for a period of two years, ending on October 31, 2020.

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

10. PAYMENT OF INVOICES.

Agenda item number 10 was taken out of order.

Ms. Scharbach referred to the invoices previously distributed to the Board Members for the month ended September 30, 2018.

Mr. Castro moved to approve the payment of invoices as submitted for the period ended September 30, 2018. Mr. Rounds seconded the motion.

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

Mr. Smith and Ms. James left the meeting at 10:45 a.m.

5. PRESENTATION BY REPRESENTATIVES OF PIPELINE AZ.

A number of Pipeline AZ representatives were in attendance in support of the project, including Katherine Pappas, Director of Workforce Strategy, Katie Belous, and Zachary Stringer.

Ms. Pappas gave a slideshow presentation and updated the Board on the progress of the project and how they are connecting with employers, case managers, educators and job seekers. Pipeline AZ is an evolution of current job boards being used, and Pipeline AZ allows persons completing a certificate program to add skills into their

profile which are outlined for each job within the pipeline. As a person adds skills and education, additional jobs are identified through the Pipeline AZ.

Pipeline AZ began with a soft launch on March 6, 2018, and the first marketing campaign will go out in December 2018. Pipeline AZ currently has 41 employers and over 1,800 job seekers. To date, there have only been a handful of job placements through Pipeline AZ.

Ms. Pappas said they are currently working on a sustainability plan and will have more information regarding a plan in November.

Mr. Rounds and Ms. Spelleri left the meeting at 11:13 a.m.

6. LEGISLATIVE REPORT, DISCUSSION AND ACTION AS DETERMINED.

Courtney LeVinus distributed a copy of a draft of the changes to ARS Sections 35-701 and 35-721 that she anticipates will be submitted by The Industrial Development Authority of the City of Phoenix. Changes to Section 35-701 would eliminate the requirement for each industrial development authority to stay within their jurisdiction when financing single family and/or multifamily housing within the State.

Changes to Section 35-721 would include the elimination of receiving approval from the highest ranking officials of the governing body for each bond issuance and the approval of the Arizona Attorney General.

Other changes may include some cleanup language on bond allocation statutes for ease of reading as well as changes to the reallocation of unused CAP.

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

9. FINANCIAL REPORT

Agenda items 8 and 9 were discussed together.

Ms. Scharbach referred to the unaudited financial statements for the period ended September 30, 2018. A copy of the unaudited financial statement is attached hereto.

Ms. Scharbach said there are no significant changes in the financial report other than the significant slowdown of the Home in Five Program. Discussions are underway to find ways to bring back more revenue from the program. More information will follow in November.

11. BUSINESS DEVELOPMENT OFFICER.

There was no report.

12. PRESIDENT'S REPORT.

There was no report.

13. EXECUTIVE DIRECTOR'S REPORT.

Ms. Scharbach noted two upcoming events/invitations to the Board Members, those being an annual meeting of Tallwave on November 6, 2018 and the Human Services Campus "I Am Home" breakfast to be held on December 11, 2018 at the Arizona Biltmore. Ms. Scharbach explained that the conference room which the Board is currently meeting in will be under construction in December, so it may be beneficial to the Board to sponsor a table at the I Am Home breakfast and meet in regular session at the Biltmore after the breakfast.

14. LEGAL COUNSEL REPORT.

Mr. Wilder said there may be a need to hold a special meeting to accommodate an applicant that is bidding on a multifamily housing project. This applicant has previously financed four other multifamily housing projects with the Authority.

Mr. Wilder said Honor Health has filed an application with the Authority to be considered in November.

15. COMMENTS FROM BOARD MEMBERS.

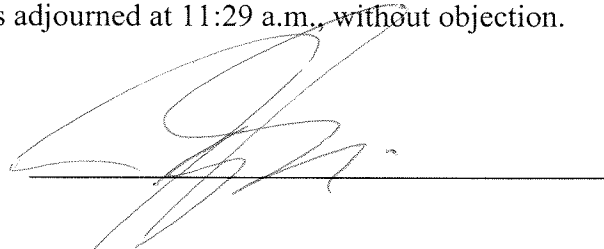
There were no comments from Board Members.

16. CALL TO THE PUBLIC.

No members of the public commented.

ADJOURNMENT

With no further business to come before the Authority, upon motion made and duly seconded, the Regular Meeting was adjourned at 11:29 a.m., without objection.

A handwritten signature in black ink, appearing to be "J. Scharbach", is written over a horizontal line.