



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

Date: January 12, 2016, 9:00 a.m.

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

Presiding: Victor D. Vidales

Present: Victor D. Vidales, Steven Bales, Jr., Charles P. Thompson,
Lisa A. James (telephonically), Ronald L. Westad, Jeremy
Stawiecki, William McAllister and David M. Adame

Absent: None

Executive Director: Shelby L. Scharbach

Administrators: Janis L. Larson and Kathleen Jakubowicz

Business Development
Officer: Gregg J. Ghelfi (telephonically)

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

Mr. Vidales called the Regular Meeting of the Board of Directors of the Authority to order at 9:05 a.m., noting the presence of a quorum.

**1. APPROVAL OF MINUTES OF THE REGULAR MEETING OF THE BOARD
HELD ON DECEMBER 8, 2015.**

On motion made by Mr. Bales and seconded by Mr. Westad, the minutes of the December 8, 2015 Board meeting were approved as submitted.

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

4. REPORT FROM THE COMMUNITY INVESTMENT COMMITTEE REGARDING ITS MEETING ON JANUARY 5, 2016.

- **DISCUSSION AND ACTION AS DETERMINED REGARDING THE RECOMMENDATION OF THE COMMUNITY INVESTMENT COMMITTEE THAT THE AUTHORITY PARTICIPATE IN AN AMOUNT UP TO \$6,000,000 WITH ARIZONA BUSINESS BANK IN A LOAN TO 515 GRANT HOLDING, LLC, AN AFFILIATE OF COWLEY COMPANIES, TO FUND CONSTRUCTION AND IMPROVEMENT OF AN INDUSTRIAL WAREHOUSE PROPERTY AT 515 GRANT STREET, PHOENIX, ARIZONA, TO CONVERT THE PROPERTY FROM AN INDUSTRIAL WAREHOUSE USE TO COMMERCIAL OFFICE SPACE, SUBJECT TO SUCH CONDITIONS AS RECOMMENDED BY THE COMMUNITY INVESTMENT COMMITTEE AND APPROVED BY THE BOARD.**

Mr. McAllister summarized the discussions and actions taken at the January 5, 2016 CIC meeting, and referred the Board Members to Mr. Wilder's memorandum which was distributed in the Board packages, a copy of which is attached hereto.

Mr. McAllister explained that the CIC was presented with a loan request from 515 Grant Holding, LLC (which is an affiliate of Cowley Companies) in the amount of \$6 million to be used for the improvement of an industrial warehouse facility located at 515 E. Grant Street, Phoenix, Arizona, to be used as commercial office space. The CIC members agreed to forward the matter to the full Board for consideration.

Mr. McAllister explained the loan request will be part of a \$12 million loan request through Arizona Business Bank. In considering this matter, the CIC members agreed that if the loan were to be made, it would need to be done on the basis that the Authority and Arizona Business Bank would be *pari passu* on all aspects of the loan. Ms. Scharbach and Mr. Ghelfi were tasked with discussing the Authority's requirements with representatives of Arizona Business Bank and Cowley Companies and report back to the Board.

Ms. Scharbach referred to the memorandum prepared by Mr. Ghelfi which set forth the CIC's conditions for participating in this loan. Those conditions are as follows:

- 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.

Ms. Scharbach said she and Mr. Ghelfi did meet with representatives of both Arizona Business Bank and Cowley Companies as requested by the CIC members.

The following gentlemen were then introduced in support of the loan request: Kyle Kennedy, Regional President for Arizona Business Bank, Greg Fletcher, CFO of Cowley Companies, and Mike Cowley, president of Cowley Companies.

Mr. Kennedy and Mr. Cowley gave an overview of the project and loan request.

Mr. Cowley explained that Cowley Companies has owned the property located at 515 East Grant Street in Phoenix, Arizona for approximately 10 years, and has been waiting for the market to rebound before rehabilitating the space. Mr. Cowley said the property was built in the 1940s as the associated grocers' warehouse for Phoenix and was served by the railroad.

Ms. James and Mr. Stawiecki joined the meeting at 9:10 a.m.

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 was founded in 2008 which provides backup office resources to physical therapists, both nationally and internationally. WebPT employs approximately 225 fulltime employees, all of which are housed at that location. Projections by late fall are that WebPT will employ over 300 persons. Negotiations are currently underway with WebPT to expand into the 515 East Grant Street property for 52,000 sq. ft. The majority of the remaining 120,000 sq. ft. of the building will be leased to a Denver-based company called Galvanize, which is a tech educator and tech coding work space. 10% of that square footage will be held back for food and beverage opportunities.

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. 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 Arizona Business Bank is underwriting the loan as a \$12 million loan, but will be capped at \$6 million for the amount the bank is able to loan Cowley Companies for the building. Arizona Business Bank would like to find a participating entity to finance the remaining \$6 million for the project. Once construction is complete and the building is occupied, a traditional lender will take out the construction loan. The term of the proposed loan will be 12 months with a 12-month potential extension.

Mr. Kennedy said he has had a good working relationship with Cowley Companies for over 25 years, and Arizona Business Bank has approved a smaller interim construction loan that fits within their aggregate. There are a number of items Arizona Business Bank is waiting on to finalize the loan, including a solution for the lack of parking, underwriting the tenants, and receiving confirmation of permanent financing for the project once completed.

Mr. Kennedy explained that Arizona Business Bank normally would participate on a similar type loan with a traditional bank rather than an entity such as the Maricopa IDA. Typically with non-bank lenders, Arizona Business Bank would be in a senior lien position, so participating pari passu with the Maricopa IDA may be an issue the bank will need to overcome.

Mr. Cowley, in response to a question from Mr. McAllister, said they would like to have a participating lender in place within the next 30 days.

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 for companies such as Allstate Insurance Company and American Express. 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 a starting salary of at least \$60,000 or they will refund 100% of the tuition. Galvanize currently has a 97% job placement, and is reporting the average salary right out of school is over \$75,000 a year.

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

RESOLVED to approve a loan in the amount of up to \$6 million, (not to exceed 50% of the loan) that amount being an equal contribution with the bank, with the delegation of the authority to Ms. Scharbach and Mr. Ghelfi to work out a funding agreement, including the following conditions:

- 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 (and be reimbursed for those costs);
- 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 by a vote of (8-0).

- **DISCUSSION AND ACTION AS DETERMINED REGARDING THE RECOMMENDATION OF THE COMMUNITY INVESTMENT COMMITTEE THAT THE AUTHORITY RESPOND TO A REQUEST FROM THE CITY OF PHOENIX TO FUND \$50,000 TOWARD A HUD GRANT FOR CHOICE NEIGHBORHOOD PLANNING.**

Mr. McAllister reported that the CIC was presented with a \$50,000 grant request from the City of Phoenix in order to secure a grant from HUD for the Choice Neighborhood Planning project. The CIC agreed to forward this matter to the full Board for consideration.

Mr. McAllister introduced Cindy Stotler, Housing Director for the City of Phoenix.

Ms. Stotler explained that the City of Phoenix is applying for the Choice Neighborhood Planning Grant (the "Choice Grant") through HUD, which has a deadline of February 9, 2016. Ms. Stotler said they are required to raise \$500,000 of matching funds in order to apply for the Choice Grant of up to \$30 million.

She explained that the Choice Grant is the second reiteration of the Hope VI grant, and was developed to assist housing departments throughout the nation to redevelop public housing. The purpose of the Choice Grant 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.

The City of Phoenix has identified the targeted area for revitalization 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 the 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. There are approximately 577 units of aged and obsolete public housing.

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.

The \$50,000 request from the Authority 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 and upon motion made by Mr. Adame and seconded by Mr. McAllister, the following was adopted:

RESOLVED to approve a \$50,000 grant to the City of Phoenix for Choice Neighborhood Planning.

The motion passed by a vote of (8-0).

Ms. James left the meeting.

2. **DISCUSSION AND ACTION AS DETERMINED REGARDING ADOPTION OF A RESOLUTION GRANTING FINAL APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$70,000,000 OF THE AUTHORITY'S SENIOR LIVING FACILITY REVENUE BONDS (CHRISTIAN CARE SURPRISE, INC. PROJECT), SERIES 2016 AND REGARDING ADOPTION OF A RESOLUTION GRANTING FINAL APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$15,000,000 OF THE AUTHORITY'S JUNIOR SUBORDINATE SENIOR LIVING FACILITIES REVENUE BONDS (CHRISTIAN CARE RETIREMENT, INC. PROJECT), SERIES 2016, 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 reminded the Board that in September 2015 the Board adopted two resolutions approving this bond financing, and later the Maricopa County Board of Supervisors adopted two resolutions approving this matter. Because of the way the junior bonds were structured, the rating agency would not rate the bonds and requested a restructuring of the junior bonds.

Mr. Wilder said the bond financing structure has subsequently been revised, and, in order to keep the record straight, he requested bond counsel submit two new resolutions to the Authority and the Maricopa County Board of Supervisors to supersede the original approving resolutions, rather than amending the same.

The most significant change in the financing structure is the manner in which excess revenues from the affiliates of the Christian Care entities are recaptured.

Mr. Wilder reported that the resolutions before the Board incorrectly reflect the Trustee's name as Zions First National Bank, as they have recently changed their name to Zions Bank, a division of ZB, National Association.

Mr. Wilder introduced bond counsel Bryant Barber of Lewis Roca Rothgerber & Christie, by telephone, and John Norris of Christian Care.

Mr. Barber reiterated they are just satisfying the rating agency's request in structuring the bond issue.

After further discussion and upon motion made by Mr. Stawiecki and seconded by Mr. Westad, 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 \$70,000,000 The Industrial Development Authority of the County of Maricopa Senior Living Facility Revenue Bonds (Christian Care Surprise, Inc. Project) Series 2016.

and

Move to adopt a Resolution in the form presented to the meeting authorizing and approving the issuance of not to exceed \$15,000,000 The Industrial Development Authority of the County of Maricopa Junior Subordinate Senior Living Facilities Revenue Bonds (Christian Care Retirement, Inc. Project) Series 2016.

Both resolutions are subject to replacing the name for the Trustee to read "Zions Bank, a division of ZB, National Association.

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

3. **DISCUSSION AND ACTION AS DETERMINED REGARDING ADOPTION OF A RESOLUTION AUTHORIZING A SECOND SUPPLEMENT TO SUBORDINATE INDENTURE OF TRUST RELATING TO SUBORDINATE (CHRISTIAN CARE RETIREMENT APARTMENTS, INC. PROJECT), SERIES 2014.**

Mr. Wilder explained that this step is needed in order to implement the prior junior bonds so that the 2014 indenture can be modified to capture the affiliate excess revenues and make them available for the junior subordinate bonds.

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

RESOLVED to adopt a Resolution in the form presented to the meeting authorizing a Second Supplement to the 2014 Subordinate Indenture relating to the Subordinate Senior Living Facilities Revenue Refunding Bonds (Christian Care Retirement Apartments, Inc. Project) Series 2014.

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

5. LEGISLATIVE REPORT, DISCUSSION AND ACTION AS DETERMINED.

There was no legislative report.

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

Ms. Scharbach introduced Mark O'Brien of Raymond James who was present to give the 2015 fourth quarter report.

Mr. O'Brien provided the Board with an update of the program. (A copy of his report is attached hereto.) He explained that this program is one of the largest programs of its kind in the country, providing both the Phoenix IDA and the Authority with over \$7 million of revenue over the past three years.

Mr. O'Brien reported that there are 8,620 mortgage loans originated in just over 3 years totaling \$1.46 million, with 103 Participating Lenders in the program.

In response to a question from Mr. Vidales regarding recent changes to qualify for the program, Mr. O'Brien explained that the delinquency rates in this program are very low; however, U.S. Bank required the FICO score change in the program because nationwide, they were seeing borrowers with FICO scores between 640-659 having higher delinquencies and foreclosure rates. Mr. O'Brien said he would provide the Authority with a delinquency rate report.

Mr. Adame asked Mr. O'Brien if he had access to an impact study of this program. Mr. O'Brien said he had attempted to find an answer for him sometime ago; however, was not been able to find a multiplier for this type of program. Mr. O'Brien said he would be happy to research Mr. Adame's request again to find area impact.

7. PAYMENT OF INVOICES.

Ms. Scharbach referred to the invoices previously distributed to the Board Members for the month ended December 31, 2015, and reviewed the same. Ms. Scharbach said there are no items out of the ordinary.

Mr. McAllister moved to approve the payment of invoices as submitted for the period ended December 31, 2015. Mr. Adame seconded the motion.

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

(Mr. Vidales had temporarily left the room and was unavailable for the vote.)

8. FINANCIAL REPORT.

Ms. Scharbach distributed the unaudited financial statements for the period ended December 31, 2015, and reviewed the same. Ms. Scharbach updated the Board on outstanding grants, including the Brian Garcia Welcome Center, Velocity, AWEE, and Catholic Charities.

9. PRESIDENT'S REPORT.

Mr. Vidales reminded the Board of the February 18th planning session, and invited Board Members to submit agenda ideas to him as soon as possible.

Mr. Vidales suggested press releases be prepared for both the newly-approved Cowley loan and the Choice Neighborhood Plan grant.

10. EXECUTIVE DIRECTOR'S REPORT.

Ms. Scharbach had no report.

11. LEGAL COUNSEL REPORT.

Mr. Wilder had no report.

12. BUSINESS DEVELOPMENT OFFICER.

Mr. Ghelfi had no report.

13. COMMENTS FROM BOARD MEMBERS.

Mr. Vidales thanked Mr. Adame for his service to the Authority.

Mr. Adame announced that this would be his last Board meeting as he was stepping down from the Board, and introduced Maria Spelleri, general counsel of CPLC, who

would be replacing Mr. Adame. It is expected that Ms. Spelleri will be appointed by the Maricopa County Board of Supervisors at their formal meeting on January 13, 2016.

Ms. Scharbach and the Board thanked Mr. Adame for his past service.

14. 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 10:33 a.m., without objection.

