

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

Date: May 8, 2018, 9:30 a.m.

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

Presiding: Steven Bales, Jr.

Present: Steven Bales, Jr., Jeremy Stawiecki (telephonically), Doug Smith, Rebecca Burnham (telephonically), Lisa A. James (telephonically), Maria Spelleri, and Jim Rounds (telephonically)

Absent: Ron Westad and Ronald J. Castro, Jr.

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. Bales called the Regular Meeting of the Board of Directors of the Authority to order at 9:30 a.m., noting the presence of a quorum.

**1. APPROVAL OF MINUTES OF THE REGULAR MEETING OF THE BOARD HELD ON APRIL 17, 2018, AND THE SPECIAL JOINT MEETING HELD ON MAY 1, 2018.**

On motion made by Mr. Smith and seconded by Ms. Spelleri, the minutes of the April 17, 2018 Regular Meeting and the May 1, 2018 Special Joint Meeting were approved as submitted.

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

**2. INTRODUCTION OF REPRESENTATIVES FROM THE ARIZONA GROUP, INSURANCE ADVISORS, AND PRESENTATION OF RENEWAL QUOTATIONS FOR AUTHORITY INSURANCE AND ACTION AS DETERMINED.**

Mr. Wilder introduced Kelly Harding and Paul Cyr of The Arizona Group, who were present to discuss the Authority's renewal of insurance policies which will expire on June 30, 2018.

Ms. Harding explained that the Authority included into their insurance package for this past year a non-owned automobile policy, along with a volunteer accident policy, both of which the Authority had not obtained in recent years. Ms. Harding referred to a handout which included a brief summary of the Authority's coverage, and reviewed the same.

*Lisa James joined at 9:35 a.m.*

There was a discussion regarding whether the Board would prefer to increase its liability limits. The Board determined to table the discussion on increasing the limits until another meeting.

**3. PRESENTATION BY THE HOUSING AUTHORITY OF MARICOPA COUNTY AND GORMAN & COMPANY, LLC REGARDING THE HERITAGE AT SURPRISE PROJECT. (NOT AN ACTION ITEM.)**

In attendance for presentation on this matter were Gloria Munoz, Director of Housing, and Kevin Kellogg, Director of Development, both of the Housing Authority of Maricopa County (the "Housing Authority"), along with Brian Swanton and Sally Schwenn, both of Gorman & Company ("Gorman").

Ms. Munoz reminded the Board that the Authority previously granted preliminary approval for a bond financing for the Heritage at Surprise project (the "Heritage"), and the Housing Authority and Gorman are working on the remaining financing pieces for Heritage. The site for Heritage is located close to Greenway and Grand Avenue in the original town site of Surprise, and is owned by the City of Surprise. The Housing Authority and Gorman are working with the City of Surprise on a lease agreement for the site.

Ms. Schwenn explained that Heritage will have 100 units, some of which will be RAD units from the conversion of 70 single family homes located throughout the West Valley. 30 units will be supportive housing for the chronically homeless with Project Based Vouchers. There are numerous services surrounding the Heritage site, i.e. multipurpose center, aquatic center, park, library, etc.

Mr. Swanton explained that the Housing Authority currently has 70 scattered site single family homes under the public housing system that will be put through HUD's new rental assistance demonstration program ("RAD"), which allows the subsidy to

be lifted off of those homes and then bundled into a long term project-based Section 8 contract and placed in this new site at Heritage. This will provide various services to those people that have been living in single family homes that had not been available previously. Heritage will be a public/private partnership between the Housing Authority and Gorman, similar to the Coffelt-Lamoreaux project.

Mr. Kellogg reviewed the design of Heritage.

Mr. Swanton reviewed the sources and uses of the project and explained that the project will total approximately \$20,000,000 and will be a bond financed project with 4% low income housing tax credits. The tax credits will generate \$8,000,000 for private equity; however, there will be a \$2,000,000 gap in funding for the project.

Mr. Swanton explained the Housing Authority/Gorman would like the Authority to consider entering into a loan agreement for the \$2,000,000 gap that would be paid back through the sale of the 70 homes. The various terms of the loan would need to be negotiated, but the term is expected to be at least 3 years, with an interest rate to be determined.

It was noted that HUD will not allow a lien against any of the homes until the declarations of trust are removed when the HAP contract is put into place on Heritage, so the loan would not become collateralized until after the estimated 14 months of construction. The bond financing is expected to close by the end of October and construction on the project is expected to begin in November.

Ms. Munoz said the 70 homes have been valued very conservatively at approximately \$12,000,000. Ms. Munoz explained the Housing Authority would like to preserve these homes as affordable homes for preferably first-time homebuyers.

Tenants currently occupying these 70 homes have a 12-month lease and have housing subsidies wherein they pay 30% of their adjusted gross income. These tenants will have the opportunity to purchase one of these homes. They will also be provided full relocation assistance if they move into the Heritage project and their rent will continue to be subsidized.

Ms. Scharbach reminded the Board that this is an opportunity for the Authority to continue its partnership with the Housing Authority and Gorman and further the Authority's mission of affordable housing.

Mr. Smith requested a term sheet of what the loan might look like, along with a breakout of the developer fees.

*Mr. Stawiecki left the meeting at 10:21 a.m.*

This matter was not an action item; however, it was the consensus of the Board to continue conversations with Ms. Munoz and Mr. Swanton in order to put together an acceptable term sheet for further consideration.

**4. LEGISLATIVE REPORT, DISCUSSION AND ACTION AS DETERMINED.**

Courtney LeVinus was present to give an update on pending legislative matters.

Ms. LeVinus distributed a 2018 End of Session Report and reported the legislative session adjourned on May 4, 2018. There were no bills directly impacting the Authority during this session.

Ms. LeVinus reviewed the 2019 State budget, and pointed out that more than half of the budget is allocated to fund education.

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

Ms. Scharbach referred to the previously distributed memorandum, and reported the program partners are trying to find ways to spur the program because of the slowdown trend. Some ideas include adjusting the interest rate, researching the possibility of entering into a bond program, marketing, working with lenders, etc.

**6. DISCUSSION AND ACTION AS DETERMINED REGARDING RESOLUTION OF A SECOND MORTGAGE LOAN INCLUDED IN THE AUTHORITY'S 2001 DPAIN SINGLE FAMILY PROGRAM.**

Janis Larson explained that she has been communicating with a homebuyer who had purchased a home through the Authority's 2001 DPAIN Single Family program who has since become disabled.

Ms. Larson explained that this particular program assisted homebuyers with down payment funds in the form of an interest bearing second mortgage loan. The homebuyers would make one payment to the loan servicer and that payment would be split between the first mortgage and second mortgage.

After this particular homebuyer became disabled, she attempted to modify her first mortgage with the loan servicer; however, in the modification process, unknown to her, the second mortgage payment was not coupled with the first mortgage payment as it had been in the past. A period of time passed, and when she discovered the error, her second mortgage was so far delinquent that she was unable to bring her second mortgage current.

After further discussion and upon motion made by Ms. Spelleri and seconded by Mr. Smith, the following was adopted:

RESOLVED to adopt a resolution forgiving the outstanding balance of the second mortgage for the homebuyer, given her hardship, and request US Bank to report to the credit bureau for this second mortgage that it was "paid as

agreed.” If US Bank is unwilling to cure the homebuyer’s credit, then the Authority staff will take any administrative actions necessary to assist in curing her credit as it relates to her second mortgage.

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

**7. PAYMENT OF INVOICES.**

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

Mr. Smith moved to approve the payment of invoices as submitted for the period ended April 30, 2018. Ms. Spelleri seconded the motion.

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

*Ms. Spelleri left the meeting at 11:02 a.m.*

**8. FINANCIAL REPORT.**

Ms. Scharbach distributed copies of the unaudited financial statements for the period ended April 30, 2018, and reviewed the same. Copies of the unaudited financial statements are attached hereto.

Ms. Scharbach reported she is still in the process of bringing to the Board more information on revenue flow and forecasting.

**9. BUSINESS DEVELOPMENT OFFICER.**

Mr. Ghelfi reported there will be a graduation on June 10, 2018 for the Arizona Friends of Foster Children’s “Keys to Success” program and the Greater Phoenix Chamber of Commerce’s IMPACT Awards luncheon will be held on May 24, 2018.

Mr. Ghelfi said he will be attending a convention for the National Association of Local Housing Finance Agencies to find out what other agencies similar to the Authority are doing and to discuss with firms such as Raymond James potential alternatives to improve the Authority’s single family program.

Mr. Ghelfi reported the Pipeline AZ is up and running and the case management system is moving along. Various nonprofits such as St. Joseph the Worker and Dress for Success along with Maricopa Community College and veterans are being trained. A full launch should take place in July. Mr. Ghelfi said he spends less than half of his time now on the Pipeline AZ project.

**10. PRESIDENT'S REPORT.**

Mr. Bales thanked the Board Members for their attendance and participation in the joint meeting with the Maricopa County Board of Supervisors on May 1, 2018.

**11. EXECUTIVE DIRECTOR'S REPORT.**

Ms. Scharbach had no report.

**12. LEGAL COUNSEL REPORT.**

Mr. Wilder reported that the Marc Center financing closed April 26, 2018; Capri on Camelback will close May 10, 2018; and the Donor Network financing has been delayed until June.

**13. COMMENTS FROM BOARD MEMBERS.**

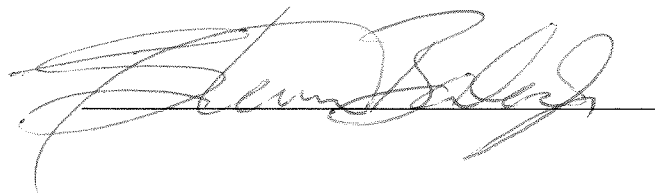
There were no comments from Board Members.

**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 11:17 a.m., without objection.

A handwritten signature in black ink, appearing to read "Steven Bales", is written over a horizontal line. The signature is cursive and somewhat stylized.