

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

Date: January 8, 2019, 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: Jeremey Stawiecki

Present: Jeremey Stawiecki, Steven Bales, Jr., Rebecca Burnham, Ron Westad, Ronald J. Castro, Jr., (telephonically), Lisa A. James, Maria Spelleri and Doug Smith

Absent: Jim Rounds

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. Stawiecki called the Regular Meeting of the Board of Directors of the Authority to order at 9:31 a.m., noting the presence of a quorum.

1. **APPROVAL OF MINUTES OF THE REGULAR MEETING OF THE BOARD HELD ON NOVEMBER 13, 2018.**

On motion made by Mr. Westad and seconded by Ms. Spelleri, the minutes of the November 13, 2018 Regular Meeting were approved as submitted.

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

2. **DISCUSSION AND ACTION AS DETERMINED REGARDING ADOPTION OF A RESOLUTION GRANTING FINAL APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$20,000,000 OF THE AUTHORITY'S REVENUE BONDS FOR THE BENEFIT OF HERITAGE ACADEMY FOR ITS MARICOPA CAMPUS.**

Mr. Fries reminded the Board that Heritage Academy, Inc. (the "Applicant") previously financed a project with the Authority in October 2017. The Applicant is currently attempting to acquire land and construct a new school in the City of Maricopa, which would include grades 7 to 12, to open in the fall of 2019. When fully functioning, the school will hold up to 860 students. The Applicant's Heritage Mesa school will pledge their excess revenues to support the proposed project in Maricopa during the construction of the project. Once the Maricopa school is operating, it should be able to stand on its own.

Mr. Fries said he has reviewed the financing documents, which are in substantially final form, and would recommend approval of the proposed project.

*Ms. Burnham joined the meeting at 9:34 a.m.*

Mr. Fries introduced Brigitte Finley-Green of Engelman Berger PC, Applicant's Counsel, along with Jared Taylor, President and CEO, and Wade Melchin, Assistant Principal, both of Heritage Academy.

Mr. Taylor said Heritage Academy was asked to start a school in Maricopa because of the great need, reporting there is a wait list of approximately 1,300 students.

*Ms. James joined the meeting at 9:36 a.m.*

Mr. Castro requested updated financials as a condition of approval.

After further discussion and upon motion made by Ms. Burnham and seconded by Mr. Bales, 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 \$20,000,000 The Industrial Development Authority of the County of Maricopa Charter School Revenue Bonds (Heritage Academy – Maricopa Campus Project), Series 2019, subject to the receipt of updated financials.

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

3. **DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION GRANTING FINAL APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$8,500,000 OF THE AUTHORITY'S REVENUE BONDS FOR THE BENEFIT OF FRANMAR AFFORDABLE HOUSING, LP.**

Mr. Fries explained that Franmar Affordable Housing, LP (the "Applicant") is requesting up to \$8,500,000 to purchase and renovate a 78-unit apartment complex located at 3825 West McDowell Road, Phoenix, Arizona. The Arizona Department of Housing will be providing gap funding of \$2,800,000, and there will be low income housing tax credits of 4% to support the financing. FNMA will provide credit enhancement of the bonds, which are expected to be rated AA.

Mr. Fries introduced Cory Bannister, representative of the Applicant, and Charles W. Lotzar of Lotzar Law Firm PC, Applicant's counsel.

After further discussion and upon motion made by Ms. Spelleri 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 \$8,500,000 The Industrial Development Authority of the County of Maricopa Multifamily Tax-Exempt Mortgage-Backed Bonds (M-Tems) Series 2019 (Franmar Manor Apartments).

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

4. **DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION GRANTING PRELIMINARY APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$7,300,000 OF THE AUTHORITY'S REVENUE BONDS FOR THE BENEFIT OF NATIVE AMERICAN CONNECTIONS, INC. FOR THE STEPPING STONE PHASE III PROJECT.**

Mr. Wilder explained that Native American Connections, Inc. (the "Applicant") is proposing the issuance of bonds in an amount not to exceed \$7,300,000 for the acquisition and rehabilitation of an existing 42-unit apartment complex located at 1325 North 14<sup>th</sup> Street, Phoenix, Arizona, commonly known as Stepping Stone III.

In response to a question from Mr. Smith, Mr. Wilder explained that, under the Tax Code, preliminary approval allows the Applicant to recoup the capital expenditures they incur starting 60 days prior to the date of the preliminary approval.

In attendance in support of the project was Charles Lotzar of Lotzar Law Firm, the Applicant's counsel, along with Diana Yazzie Devine, President and CEO, and Joe Keeper, Director of Real Estate Development, both representatives of the Applicant.

Ms. Yazzie Devine explained that the Applicant is a 45 year old nonprofit originally founded to serve the Native American community with housing, jobs and behavioral health services. Today, they serve all populations, with only 35% being Native Americans.

After further discussion and upon motion made by Mr. Westad and seconded by Ms. Burnham, 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 \$7,300,000 The Industrial Development Authority of the County of Maricopa Multifamily Housing Revenue Bonds (Stepping Stone III Project), Series 2019.

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

5. **DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION CONSENTING TO THE SALE OF THE COVES AT NEWPORT, F/K/A PASEO PARK, AND THE ASSUMPTION OF THE LAND USE RESTRICTION AGREEMENT.**

Mr. Wilder reminded the Board the bonds for this project were issued by the Authority in 2013 to acquire the Paseo Park Apartments, n/k/a The Coves at Newport. The owner is now selling the property, and the purchaser will need to assume the responsibilities of the current owner under the Regulatory Agreement encumbering the property for the remaining term of the Qualified Project Period.

The transaction will be a cash sale, and the bonds will be paid off.

Mr. Wilder said he would recommend approval of the sale and assumption of the Regulatory Agreement.

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

RESOLVED to adopt the Resolution in the form presented to the meeting authorizing and approving the sale and transfer of The Coves at Newport Apartments Project and the assumption by KV Paseo Park Apartments, LLC of the Regulatory Agreement that encumbers the project through the execution of a Consent of Issuer and Assignment and Assumption Agreement.

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

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

Courtney LeVinus and Jake Hinman were in attendance to report on current issues.

Ms. LeVinus said she had no further information on changes to ARS Section 35-701 and 35-721 that may be proposed by Kutak Rock.

Ms. LeVinus reported on the new makeup of the Arizona House and Senate – with 19 new legislators comprising the total 60 members.

7. **REPORT FROM CLIFTONLARSONALLEN OF THE AUTHORITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018.**

Jean Dietrich of CliftonLarsonAllen was in attendance to present the Authority's 2018/2017 Audited Financial Statements.

Ms. Dietrich reported that Clifton LarsonAllen is issuing a clean, unmodified opinion on the Authority's financial statements. Also, they are issuing a report on the internal control over financial reporting and did not identify any significant deficiencies in the internal control or material weaknesses.

There were no new standards affecting the financials in 2018, so the financials will be comparative to the prior year.

Significant changes include an increase in the grants payable and a decrease in the Home in Five revenue.

Ms. Dietrich said they did not identify any issues, deficiencies or fraudulent transactions during the audit.

8. **FINANCIAL REPORT.**

Ms. Scharbach referred to the unaudited financial statements for the periods ended November 30, 2018 and December 31, 2018. Copies of the unaudited financial statements are attached hereto.

Ms. Scharbach reviewed the December 31, 2018 unaudited report and answered questions regarding the same.

There was a discussion regarding the Authority's decrease in revenue, mostly due to the Home in Five program.

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

Ms. Scharbach noted that the decrease of revenue in the Home in Five program and reminded the Board they approved changes to the program in order to be more

competitive in the market. Those changes are expected to be launched on or about March 1, 2019.

**10. PAYMENT OF INVOICES.**

Ms. Scharbach referred to the invoices previously distributed to the Board Members for the months ended November 30, 2018 and December 31, 2018.

Mr. Westad moved to approve the payment of invoices as submitted for the periods ended November 30, 2018 and December 31, 2018. Ms. Burnham seconded the motion.

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

**11. BUSINESS DEVELOPMENT OFFICER.**

Mr. Ghelfi reported that changes to the Home in Five program are moving forward, and with the new changes there will be more options offered to homebuyers. The program should prove to be much more competitive with the program offered by the Arizona State IDA.

Mr. Ghelfi reported on the Pipeline AZ project, and said the Pipeline AZ launch is expected on January 15, 2019. Information will be sent to the Board about the program. There are currently 60 case managers involved with the Pipeline AZ, with another 60-70 case managers expected to come on board in the near future.

Mr. Ghelfi reminded the Board of the upcoming Urban Land Institute Trends Day on January 25, 2019.

**12. PRESIDENT'S REPORT.**

Mr. Stawiecki acknowledged the work done by staff on the Home in Five program.

**13. EXECUTIVE DIRECTOR'S REPORT.**

Ms. Scharbach had no report.

**14. LEGAL COUNSEL REPORT.**

Mr. Wilder said, with mortgage rates moving up, there may be an opportunity to consider a single family mortgage revenue bond program again, which requires the Authority to reserve an allocation of volume cap before January 31, 2019.

Mr. Wilder reviewed new statutes on TEFRA hearing proceedings that should be taking place in the very near future.

**15. COMMENTS FROM BOARD MEMBERS.**

Ms. Burnham questioned the process on the grant procedures and where the Authority is heading with respect to grants.

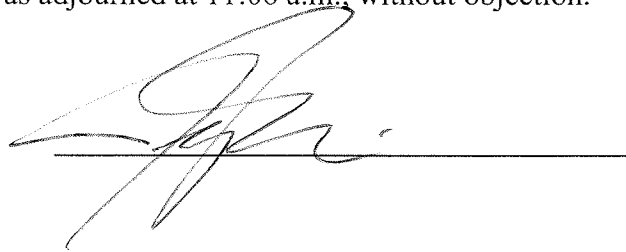
Ms. Scharbach said the Authority is on pause for disbursing new grant funds; however, it may be timely to have another planning session.

**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 11:06 a.m., without objection.

A handwritten signature in black ink, written over a horizontal line. The signature is stylized and appears to be the initials 'JF' followed by a flourish.