

MEMBER CITIES

Alhambra
 Apple Valley
 Azusa
 Baldwin Park
 Barstow
 Bell
 Bellflower
 Brea
 Capitola
 Carpinteria
 Carson
 Chino
 Claremont
 Colton
 Commerce
 Compton
 Covina
 Downey
 Duarte
 El Monte
 Fairfield
 Fontana
 Fresno
 Gardena
 Garden Grove
 Glendale
 Glendora
 Hawaiian Gardens
 Hawthorne
 Huntington Park
 Indio
 Inglewood
 La Habra
 La Puente
 Lakewood
 Lancaster
 Lawndale
 Long Beach
 Los Angeles
 Lynwood
 Monrovia
 Montclair
 Montebello
 Monterey Park
 Morgan Hill
 Norwalk
 Oceanside
 Palmdale
 Palm Springs
 Paramount
 Pico Rivera
 Planada Community Services District
 Pomona
 Rancho Cucamonga
 Rialto
 Riverside
 Rohnert Park
 Salinas
 San Bernardino
 San Bernardino County
 San Diego County
 San Fernando
 San Juan Capistrano
 San Marcos
 San Mateo County
 Santa Clarita
 Santa Rosa
 Signal Hill
 South Gate
 Vernon
 Vista
 West Covina
 Whittier
 Yucaipa

BOARD MEMBERS

OFFICERS
 Mike McCormick, President
 Vernon

Gil Hurtado, Vice President
 South Gate
 Jose Solache, Treasurer
 Lynwood

DIRECTORS

Ricardo Pacheco, Baldwin Park
 Willie Jones, Compton
 Marilyn Sanabria, Huntington Park
 Edwin Hernandez, Lynwood
 Sylvia Ballin, San Fernando

Secretary/Executive Director
 Debbie Smith
 General Legal Counsel
 Scott Campbell
 Best Best & Krieger, LLP



INDEPENDENT CITIES FINANCE AUTHORITY
 Regular Meeting Of The Board Of Directors
 Regular Meeting Of The Executive Committee

Wednesday, October 7, 2015
 12:00 p.m.

The azalea room
 Azalea Regional Shopping Center
 (between Skechers and Game Stop)
 4761 Firestone Boulevard
 South Gate, CA 90280

MEETING AGENDA

STAFF REPORTS AND OTHER WRITTEN DOCUMENTS RELATED TO ITEMS ON THIS AGENDA CAN BE OBTAINED FROM THE INDEPENDENT CITIES FINANCE AUTHORITY BY CALLING (877) 906-0941.

FOR YOUR INFORMATION: The Authority Board/Executive Committee will hear from the public on any item on the agenda or an item of interest to the Board/Executive Committee that is not on the Agenda. These items may be referred for administrative action or scheduled on a future agenda. Comments are to be limited to three minutes for each speaker, unless extended by the Authority Board. Each speaker will have an opportunity to speak on any Agenda item. You have the opportunity to address the Authority Board at the following times.

- A. **AGENDA ITEM:** at the time the Authority Board considers the Agenda item or during Public Comment, and
- B. **NON-AGENDA ITEMS:** during Public Comment - comments will be received for a maximum 30-minute period; any additional requests will be heard following the completion of the Agenda.
- C. **PUBLIC HEARINGS:** at the time of the Public Hearing

I. CALL TO ORDER. (Page 3)

II. ROLL CALL. (Page 3)

City of Baldwin Park	City of San Fernando
City of Compton	City of South Gate
City of Huntington Park	City of Vernon
City of Lynwood	

III. AMENDMENTS OR ADJUSTMENTS TO THE AGENDA. (Page 3)

IV. PUBLIC COMMENT. At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the Authority. Reasonable time limits are imposed on each topic and each speaker. In accordance with the provisions of the Ralph M. Brown Act (GC § 54950 et seq.), no action or discussion may take place by the Board on any item not on the posted agenda. The Board may respond to statements made or questions asked, and may direct staff to report back on the topic at a future meeting. *(Pages 3-4)*

V. NEW BUSINESS.

- A. Approval Of Minutes Of The June 17, 2015 Board Of Directors Meeting. *(Pages 4 & 17-20)*
RECOMMEND APPROVAL
- B. Approval/Adoption Of Resolution 2015-5 (A Resolution Of The Board Of Directors/Executive Committee Of The Independent Cities Finance Authority Authorizing The Creation Of A \$100,000,000 Single Family Lease Purchase Home Ownership Initiative) And Approving Certain Documents And Authorizing Certain Actions In Connection Therewith. *(Pages 4-10 & 21-23)*
RECOMMEND APPROVAL/ADOPTION
- C. Approval Of An Engagement Letter Between ICFA And Ballard Spahr To Conduct Research Re The Use Of An Installment Method Of Accounting On Certain Bond Financings. *(Pages 11-12 & 24-26)*
RECOMMEND APPROVAL
- D. Status Report On SB 710 (Galgiani) – Joint Exercise Of Powers: Financing. *(Page 12)*
RECOMMEND RECEIVE AND FILE
- E. Status Report On The County Of Los Angeles Becoming An Associate Member Of ICFA. *(Page 13)*
RECOMMEND RECEIVE AND FILE
- F. Approval Of Financial Accounting For The Period June 1, 2015 To September 30, 2015. *(Pages 13-14)*
RECOMMEND APPROVAL
- G. Update On Pending Projects/Activities. *(Page 15)*
INFORMATION ONLY

VI. COMMENTS FROM BOARD MEMBERS. *(Page 15)*

VII. MATTERS FROM STAFF. *(Pages 15)*

VIII. ADJOURNMENT. *(Page 15)*

The public shall have an opportunity to comment on any item as each item is considered by the Board/Executive Committee and prior to action being taken. Agenda reports are available at the Independent Cities Finance Authority office upon request by calling (877) 906-0941.

NOTICE: New items will not be considered after 2:00 p.m. unless the Board of Directors/ Executive Committee votes to extend the time limit. Any items on the agenda that are not completed will be forwarded to the next regular Board of Directors/Executive Committee meeting.

IN COMPLIANCE WITH THE AMERICAN DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE INDEPENDENT CITIES FINANCE AUTHORITY AT (877) 906-0941. NOTIFICATION 48 HOURS PRIOR TO THE MEETING WILL ENABLE THE INDEPENDENT CITIES FINANCE AUTHORITY TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING.

NOTE TO CITY CLERKS:

Please post this Meeting Notice just as you would a City Council agenda.

INDEPENDENT CITIES FINANCE AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS
REGULAR MEETING OF THE EXECUTIVE COMMITTEE

October 7, 2015 - 12:00 p.m.

AGENDA SUMMARY

I. CALL TO ORDER.

II. ROLL CALL.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

A roll call of the following member cities will be conducted:

City of Baldwin Park

City of San Fernando

City of Compton

City of South Gate

City of Huntington Park

City of Vernon

City of Lynwood

C. RECOMMENDATION:

None.

III. AMENDMENTS OR ADJUSTMENTS TO THE AGENDA.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

None.

C. RECOMMENDATION:

None.

IV. PUBLIC COMMENT.

A. MATERIAL ENCLOSED:

None.

AGENDA SUMMARY

October 7, 2015

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B. COMMENTS:

At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the Agency. Reasonable time limits are imposed on each topic and each speaker. In accordance with the provisions of the Ralph M. Brown Act (GC §54950 et seq.), no action or discussion may take place by the Board on any item not on the posted agenda. The Board may respond to statements made or questions asked, and may direct staff to report back on the topic at a future meeting.

C. RECOMMENDATION:

None.

V. NEW BUSINESS.

A. APPROVAL OF MINUTES OF THE JUNE 17, 2015 BOARD OF DIRECTORS MEETING.

A. MATERIAL ENCLOSED: (PAGES 17-20)

Minutes of the June 17, 2015 Board of Directors meeting.

B. COMMENTS:

None.

C. RECOMMENDATION:

Approve the minutes of the June 17, 2015 Board of Directors meeting.

B. APPROVAL/ADOPTION OF RESOLUTION NO. 2015-5 (A RESOLUTION OF THE BOARD OF DIRECTORS/EXECUTIVE COMMITTEE OF THE INDEPENDENT CITIES FINANCE AUTHORITY AUTHORIZING THE CREATION OF A \$100,000,000 SINGLE FAMILY LEASE PURCHASE HOMEOWNERSHIP INITIATIVE) AND APPROVING CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH.

A. MATERIAL ENCLOSED: (PAGES 21-23) AND UNNUMBERED DOCUMENTS DELIVERED UNDER SEPARATE COVER

1. Resolution No. 2015-5 (Pages 21-23)
2. Exhibit "B" - Program Guidelines

AGENDA SUMMARY

October 7, 2015

Page 3

3. Exhibit "C" - Program Manager Services Agreement between Independent Cities Finance Authority, as Sponsor, and Emerging Markets Group, LLC, as Structuring, Marketing, Implementation, and Administration Agent
4. Exhibit "D" - Sponsor Agreement between Independent Cities Finance Authority, as Sponsor, and American Financial Network, Inc., as Ginnie Mae Issuer
5. Exhibit "E" - Credit Counseling Agreement between Independent Cities Finance Authority, as Sponsor, and Money Management International, Inc., as Credit Counseling Agency
6. Exhibit "F" - Master Services Agreement with Property Manager between Independent Cities Finance Authority, as Sponsor, and HomeStar Property Management, LLC
7. Exhibit "G" - Custodial and Disbursement Agent Agreement between Independent Cities Finance Authority, as Sponsor, and Wilmington Trust, N.A., as Custodial and Disbursement Agent
8. Exhibit "H" - Term Sheet for Self Insured Mortgage Payment Protection Insurance Program with GDP Advisors, LLC.
9. Exhibit "I" - Quote for Insurance Coverage and Services to Independent Cities Finance Authority, as Sponsor, from SWBC Insurance, Inc., as Property, Casualty and Commercial Liability Insurance Provider
10. Exhibit "J" - Lease Form
11. Schedule A - Schedule of Sources and Uses of Funds
12. Schedule B - Schedule of Uses of Advance Deposit from HomeStar
13. Schedule C - Schedule of Uses of Fees from AFN
14. Schedule D - Schedule of ICFA Revenue
15. Schedule E - Schedule of EMG Revenue

B. COMMENTS:

PROGRAM DESCRIPTION

The ICFA Lease Purchase Homeownership Initiative ("Program") is a privately funded public private partnership to provide up to \$100,000,000 in market rate FHA insured financing for low and moderate income borrowers (up to 140% of median income) who are unable to qualify for mortgage financing. The formal terms of the Program are set forth in the Program Guidelines which are attached as Exhibit "B" to this staff report.

The Program is intended to benefit individuals who have sufficient income to support a mortgage, but cannot qualify for mortgage financing due to deficiencies in their credit history. The Program allows individuals who meet certain basic criteria and who have paid a participation fee (each, a "Participant") to select a home that will be purchased by ICFA. ICFA will then lease the home to the Participant for a period of two years while the Participant undergoes credit counseling to assist the Participant to enhance their credit history and become accustomed to making a monthly lease payment. During the second year of the lease,

the eligible Participant will apply for qualifying assumption of the FHA-insured mortgage loan by from ICFA to acquire the home. The Participant will be evaluated by the loan servicer for suitability and if the Participant qualifies for the assumption, he or she will take over the existing mortgage for the home. At the time of the assumption, the Participant will pay a standard FHA fee and documentation costs, but the down payment and closing costs for the loan will have already been covered by contributions from the sellers of the properties and ICFC. If the Participant cannot assume the mortgage, then the lease will terminate and ICFA will either find a new Participant for the home or sell the home to pay off the existing mortgage.

The down payment for each home will be provided separately by Independent Cities Finance Corporation ("ICFC"), a wholly owned non-profit subsidiary of ICFA that is an instrumentality of government ("IOG"). Under the HUD rules for FHA financing, the down payment may be provided by an IOG that is affiliated with the public agency borrower. The funding necessary for ICFC to provide each down payment will come from the Program as further discussed herein.

HOW IS THE PROGRAM FUNDED?

The funding for the Program will come from multiple sources as shown on Schedule A to this staff report (Sources and Uses of Funds). A summary of the sources of funds is as follows:

1. The preliminary funding to initiate the Program will come from an advance from HomeStar Property Management, LLC, which has agreed to advance \$250,000 in connection with its role as property manager for the Program. The \$250,000 advance will be used to fund initial costs such as legal fees, depository fees, consulting fees and a program sponsor fee to ICFA. The breakdown of fees is set forth in detail on Schedule B. HomeStar has further agreed to act as broker for ICFA in connection with the acquisition of properties for the Initiative at a discounted fee of 2%, which will leave the remaining 1% of the customary broker fee of 3% for use by the Authority to pay the 0.5% HomeStar boarding fee for each property and the 0.5% funding fee to compensate HomeStar for the advance funding.
2. The primary source of funding for the purchase of each home will come from American Financial Network, Inc., the lender and loan servicer for the Program, in the form of FHA-insured mortgage loan financing. Market rate FHA loans that are issued by AFN will be sold in the secondary market to generate a 12% loan premium that will be applied as set forth in the attached Schedule C, including 3.5% to ICFC to fund its role in the Program, 2.5% to the lender for loan closing costs, 2.0% to the lender as an origination fee, 1.0% to

each of ICFA and EMG as a program marketing fee and 1.0% to each of ICFA and EMG as a program management and administration fee.

3. Each Participant will pay a participation fee for the Program equal to 1% of the value of the loan for the home selected by the participant. The 1% fee is also intended to demonstrate the commitment of the Participant to successful completion of the Program and to incentivize the Participant to follow through to a successful completion of the Program with an assumption of the home mortgage. This fee will be used to fund the reserve fund for preservation of the properties purchased by the Authority for use in the Initiative. The Participant fee is non-refundable and is not applied to any obligations of the Participant, however, there is a substantial benefit to the Participant to participate in the Program in that they will benefit from lower monthly housing costs and an opportunity to qualify to assume the existing mortgage loan, and all the related benefits thereof including the down payment and all closing costs, which creates equity and makes it substantially easier for the Participant to assume the loan.
4. The final funding component will come from Seller contributions, which EMG anticipates will be 6%. Due to the high cost of housing stock in the ICFA service area and the prevalence of all cash financing by investors, it is anticipated that EMG will need to work with lenders and developers who have REO properties available to locate properties that are affordable and consistent with the Program. Such lenders and developers typically provide Seller contributions which will be used to cover closing costs and the funding of the mortgage payment protection insurance program for ICFA.

WHAT COMPENSATION WILL ICFA RECEIVE FROM THE PROGRAM?

As set forth on Schedule D, it is anticipated that ICFA will receive up to \$3.75 million in fees and revenue over the life of the Program. Over the two years of the Program, ICFA is anticipated to receive \$1,000,000 from the program marketing fee and an additional \$1,000,000 for program management and administration fees. These fees are payable in connection with each loan closing, provided, however, that the program management and administration fees will be held in a deposit account and released over 24 months to fund ICFA administration costs. At the end of the Program and the retirement of all loans, it is anticipated that ICFA will receive an additional \$1.75 million from excess amounts in the mortgage policy protection insurance fund and the reserve accounts for payment defaults and property maintenance, however, these funds are not guaranteed and will depend on the actual experience of ICFA with Property repairs and payment defaults by Participants.

WHAT COMPENSATION WILL EMG RECEIVE FROM THE PROGRAM?

EMG has structured the Program and during the life of the Program, EMG will actively work as the Program Manager and Administrator to promote the Program, locate housing stock and work to ensure that the Program is a success. As set forth on Schedule E, in addition to the \$42,500 retainer paid by ICFA to EMG during the development stage, EMG will receive a fee of \$93,750 for structuring the transaction on preliminary funding. As consideration for its services as Program Manager and Administrator, EMG will further share equally with ICFA in the marketing fee, the program management and administration fee and an equal share of any excess left in the mortgage payment protection insurance accounts and the reserve accounts, for a total potential compensation of \$3.83 million. The EMG share in the excess reserves is intended to provide incentive compensation to EMG to manage the Program as efficiently as possible to avoid any draws on the insurance and reserve accounts.

WHAT ARE THE POTENTIAL RISKS AND LIABILITIES FOR ICFA?

During the term of the Initiative, ICFA will be the owner and landlord with respect to the properties in the Program and will be the borrower under FHA loans for those properties. The Program attempts to mitigate the financial risk to ICFA through the funding of (i) property casualty and commercial liability insurance for each Property, (ii) reserves for property repairs and lost rental income, (iii) a home warranty on each home provided by HomeStar; and (iv) a self-insured program to cover the loss of rental income over the course of the Program. When fully funded, the reserves will provide \$1,000,000 for property maintenance costs and \$1,000,000 for lost rental income and the self-insured mortgage payment protection program will provide an additional \$2,500,000 for the loss of rental income when a Participant defaults under the lease. The commercial liability coverage for each Property will have a \$2,000,000 limit. The potential gap in these mitigation measures is that the reserves and insurance become available as Program loans are closed, but there is an initial period at the beginning of the Program when very little funding will be available if there are early problems. There is also a risk of unanticipated legal costs in the event that a higher percentage of defaults occur on the leases than is anticipated or there are prolonged cases in unlawful detainer. Finally, there is the possibility of higher than anticipated maintenance and repair costs despite the home warranty.

WHO ARE THE KEY PARTIES IN THE PROGRAM AND WHAT IS THE STATUS OF NEGOTIATIONS?

1. Emerging Markets Group, LLC (Guy Burgoon)
EMG has structured the Program and put together the various Program partners. EMG has been working under an MOU with ICFA for initial development work, but will be entering into a

Program Manager Services Agreement setting forth the duties of EMG for the life of the Program. This agreement has been negotiated and is attached for review and approval by the Board as Exhibit "C".

2. American Financial Network, Inc.
AFN is the lender and loan servicer for the Program. This arrangement is not exclusive, however, and ICFA is currently also in discussions with Ameripro Funding to also provide loan origination for the Program. The Program Sponsor Agreement with AFN is substantially complete, subject to final negotiations with ICFA legal counsel, and is attached for review and approval by the Board as Exhibit "D".
3. Money Management International, Inc.
Money Management International is a HUD approved provider of credit counseling services and will provide the consumer education and counseling component of the Program. The Credit Counseling Agreement with MMI is substantially complete, subject to final negotiations with ICFA legal counsel, and is attached for review and approval by the Board as Exhibit "E".
4. HomeStar Property Management, LLC
HomeStar will be the property manager for the Program and will conduct initial inspections on any home selected by a Participant. HomeStar will further act as ICFA's broker for the acquisition of properties, will manage all of the leased residences for ICFA and will handle any maintenance and repair issues. The latest iteration of the Master Services Agreement and Scope of Work with HomeStar is attached for review and approval by the Board as Exhibit "F". Legal counsel for ICFA is still negotiating the scope of work with HomeStar, but does not expect substantial revisions from the attached draft.
5. Wilmington Trust, N.A.
Wilmington Trust will hold the various deposit and reserve accounts for the administration of the Program. The final Custodial and Distribution Agreement with Wilmington Trust is substantially complete, subject to completion of the schedules to the Agreement by ICFA legal counsel, and is attached for review and approval by the Board as Exhibit "G".
6. Mortgage Payment Protection Insurance Program
The Authority has negotiated with GDP Advisors, LLC, to create a self-insurance program for loss of rental income as a result of

Participant payment defaults. The administration fees for this program is currently set at approximately \$1,000,000 of the \$4,500,000 in funding over the life of the Initiative, but EMG is working to lower this premium substantially. There is currently a non-binding term sheet for the program that is attached for review as Exhibit "H".

7. Property Casualty and Commercial Liability Insurance

The Authority has negotiated with SWBC for property casualty and commercial liability coverage for each property in the Initiative. The current proposal from SWBC for such insurance coverage is attached for review as Exhibit "I".

8. Residential Lease Form

A form of residential lease has been prepared by legal counsel for use in the Program and is currently under review by HomeStar. A copy of the Lease Form is attached for review by the Board as Exhibit "J".

WHAT IS THE REGULATORY FRAMEWORK FOR THE PROGRAM?

The Program has been designed to fall within existing HUD guidelines and FHA requirements as a public-private lease purchase program with ICFC acting as an IOG on behalf of ICFA, which is also an instrumentality of government for its member agencies. The status of ICFC and ICFA allows them to sponsor the Program and provide for down payment and closing cost assistance that would not ordinarily be available in a purely private program. The Program has been designed to fit within ICFA's mandate to provide and support affordable housing. The Program has not been designed to provide any tax credits or benefits nor to be qualified as a low-income program. The Program will qualify to provide Community Reinvestment Act credits for purchases of the mortgages in the secondary market.

Guy Burgoon of EMG and Glen Price of Best Best & Krieger will be available at the meeting to provide an update and answer any questions.

C. RECOMMENDATION:

1. Approve/adopt Resolution 2015-5 authorizing the creation of a \$100,000,000 Single Family Lease Purchase Homeownership Initiative and the various agreements, exhibits and documents relating thereto;
2. Authorize Vice President Hurtado and staff to execute all necessary documents.

AGENDA SUMMARY

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C. APPROVAL OF ENGAGEMENT LETTER BETWEEN ICFA AND BALLARD SPAHR TO CONDUCT RESEARCH RE THE USE OF AN INSTALLMENT METHOD OF ACCOUNTING ON CERTAIN BOND FINANCINGS.

A. MATERIAL ENCLOSED: (PAGES 24-26)

Engagement Letter between ICFA and Ballard Spahr dated September 30, 2015.

B. COMMENTS:

As Board Members are aware, ICFA has successfully issued its bonds to finance the acquisition and improvement of a number of mobile home parks by nonprofit organizations.

ICFA's members have benefitted from these financings because affordable housing in their areas of jurisdiction have been preserved and improved. The nonprofit organizations that have acquired the parks have agreed to rent a certain number of the units in the parks to low and very low income tenants. They have also agreed to use proceeds of the bonds to make improvements to the parks' infrastructure.

ICFA has benefited from these financings because ICFA collects an ongoing program fee equal to a percentage of the outstanding amount of the bonds that have been issued. The program fee can be used by ICFA to fund its operations and to assist its members.

It would be beneficial for ICFA and its members if ICFA could provide bond financing for an increasing number of projects.

A number of park owners have expressed interest in selling their parks to nonprofit organizations using ICFA bond financing. However, these sellers have also expressed concerns about the large amount of taxes that are potentially due on the sale date. Many mobile home park owners have owned their parks for a number of years and the value of their parks has appreciated substantially. Because of the large tax liability, sellers often ask for purchase prices that are too high to make financial sense for nonprofit organizations.

One possible solution is for ICFA to issue both senior bonds and subordinate bonds to finance a park acquisition. The senior bonds would be sold to investors for cash, and the cash would be used by the nonprofit organization to pay part of the purchase price of the park. The subordinate bonds would be delivered directly to the seller of the park as consideration for the remaining balance of the purchase price of the park.

AGENDA SUMMARY

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Preliminary research by Ballard Spahr indicates that sellers may be able to use installment accounting to account for payments received on the subordinate bonds. With installment accounting, the sellers would pay taxes over time as they received payments on the subordinate bonds instead of all at once on the sale date.

According to information from real estate brokers, sellers would potentially sell their projects for lower purchase prices to nonprofit organizations if they could pay taxes over time instead of all at once on the sale date. This could potentially increase the number of parks being financed with bonds issued by ICFA.

Additional legal research is needed to determine if, in fact, sellers could use the installment method of accounting to account for payments received on subordinate bonds issued by ICFA. Ballard Spahr proposes to research the tax issues and prepare a legal memorandum for ICFA that addresses this issue. Ballard Spahr estimates that such a memorandum and the accompanying legal research would cost between \$7,500 and \$12,500 in legal fees. The scope of Ballard Spahr's proposed legal services is described in their letter addressed to the Executive Director.

C. RECOMMENDATION:

Approve the Engagement Letter between ICFA and Ballard Spahr at a fee not to exceed \$12,500.

D. **STATUS REPORT ON SB 710 (GALGIANI) - JOINT EXERCISE OF POWERS: FINANCING.**

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

SB 710 would allow California Joint Powers Authorities to issue bonds and enter into loan agreements or refinance private projects located outside of the State of California.

Staff will provide a verbal report at the meeting.

C. RECOMMENDATION:

Receive and file.

E. STATUS REPORT ON THE COUNTY OF LOS ANGELES BECOMING AN ASSOCIATE MEMBER OF ICFA.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

At The June 2014 Board of Directors meeting, Ken Spiker And Associates, Inc. was engaged to secure the County of Los Angeles as an associate member of ICFA.

Greg Spiker will provide a verbal report at the meeting.

C. RECOMMENDATION:

Receive and file.

F. APPROVAL OF FINANCIAL ACCOUNTING FOR THE PERIOD JUNE 1, 2015 TO SEPTEMBER 30, 2015.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

Receipts for the period June 1, 2015 to September 30, 2015 were as follows:

Millbrook monthly fees (4 months)	\$ 456.68
Castle monthly fees (4 months)	1,198.32
Vista de Santa Barbara (4 months)	2,810.00
Yucaipa monthly fees (3 months)	2,417.00
Palm Springs monthly fees (3 months)	3,820.81
Santa Rosa monthly fees (3 months)	4,395.00
Rancho Vallecitos monthly fees (3 months)	6,899.56
Westlake monthly fees (3 months)	6,048.00
Rohnert Park monthly fees (3 months)	8,616.61
Lamplighter monthly fees (3 months)	7,668.00
San Juan monthly fees (3 months)	14,461.00
Zions Bank (Alliance fee)	4,691.46
US Bank (Augusta quarterly fee x 2)	16,076.28
US Bank (San Juan closing fee)	74,470.00
US Bank (Lamplighter annual fee)	49,550.00
TOTAL RECEIPTS	\$203,578.72

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Expenditures for the period June 1, 2015 to September 30, 2015 were as follows:

Emerging Markets Group (Lease Purchase Initiative)	\$ 2,500.00
U. S. Advocacy (Advocacy Services)	7,500.00
Smith, Alvarez & Castillo (Staff Services)	18,750.00
W. Michael McCormick (Stipend for June Board Meeting)	150.00
Sylvia Ballin (Stipend for June Board Meeting)	150.00
Edwin Hernandez (Stipend for June Board Meeting)	150.00
Gil Hurtado (Stipend for June Board Meeting)	150.00
Johnny Phineda (Stipend for June Board Meeting)	150.00
City of South Gate (Lunch - Board Meeting)	97.19
Lavender Bistro (Sponsorship-CCCA dinner)	827.79
US Bank (DPA Program Fees)	400.00
Robert Eichel & Associates (Audit Services)	2,750.00
Best Best & Krieger (Legal Counsel Fees)	12,919.31
Southeast Scout Program (Charitable Contribution)	7,500.00
PSP Investment Group (Office Rent)	800.00
Ken Spiker And Associates, Inc. (Office expenses)	258.18
Smith, Alvarez & Castillo (Staff Services)	18,750.00
U. S. Advocacy (Advocacy Services)	7,500.00
PSP Investment Group (Office Rent)	800.00
Tripepi Smith & Associates (Marketing Services)	2,645.00
Smith, Alvarez & Castillo (Staff Services)	18,750.00
U. S. Advocacy (Advocacy Services)	7,500.00
PSP Investment Group (Office Rent)	800.00
Smith, Alvarez & Castillo (Staff Services)	18,750.00
Smitty Signworks (Office Signs)	141.40
Ken Spiker And Associates, Inc. (Office Expenses)	173.83
Tripepi Smith & Associates (Marketing Services)	2,645.00
St. John the Baptist School (Charitable Contribution)	<u>4,909.00</u>
TOTAL EXPENDITURES	<u>\$138,416.70</u>

ICFA account balances as of September 30, 2015 are as follows:

Bank of America	\$ 71,171.66
LAIF	\$242,987.69

It should also be noted that ICFA has two outstanding loans: One to Millennium Housing in the amount of \$250,000 and another to Augusta Communities in the amount of \$90,000.

C. RECOMMENDATION:

Approve the financial accounting for the period June 1, 2015 to September 30, 2015.

G. UPDATE ON PENDING PROJECTS/ACTIVITIES.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

Staff will provide a verbal update on pending ICFA projects/activities.

C. RECOMMENDATION:

Information only.

VI. COMMENTS FROM BOARD MEMBERS.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

None.

C. RECOMMENDATION:

None.

VII. MATTERS FROM STAFF.

A. MATERIAL ENCLOSED:

None.

B. COMMENTS:

None.

C. RECOMMENDATION:

None.

VIII. ADJOURNMENT.

ATTACHMENTS

For The October 7, 2015
Independent Cities Finance Authority
Regular Board Of Directors Meeting/
Regular Executive Committee Meeting

INDEPENDENT CITIES FINANCE AUTHORITY

**BOARD OF DIRECTORS ANNUAL MEETING
JUNE 17, 2015**

MINUTES

I. CALL TO ORDER.

The annual meeting of the Board of Directors of the Independent Cities Finance Authority (ICFA) was called to order in the City of South Gate on June 17, 2015 at 12:05 p.m. by President Mike McCormick.

II. ROLL CALL.

Members Of The Executive Committee/Board of Directors Present (Voting)

W. Michael McCormick, President	Vernon
Gil Hurtado, Vice President	South Gate
Sylvia Ballin	San Fernando
Edwin Hernandez	Lynwood
Johnny Phineda	Huntington Park

Alternate Members Of The Board of Directors Present

None

The cities of Baldwin Park and Compton were not represented by a voting member.

Guests Present

Sara Appel	Tripepi Smith & Associates
Guy Burgoon	Emerging Markets Group
Dave Tomblin	Highgrove Holdings Management Group
Wes Wolf	Wolf & Company, Inc.

Staff Present

Michael Maurer	Best Best & Krieger LLP
Glen Price	Best Best & Krieger LP
Debbie Smith	Smith, Alvarez & Castillo/ICFA

III. AMENDMENTS OR ADJUSTMENTS TO THE AGENDA.

Item B was moved to the end of the agenda.

IV. PUBLIC COMMENTS.

There were no members of the public who wished to speak.

V. NEW BUSINESS.

A. APPROVAL OF MINUTES OF THE MAY 20, 2015 BOARD OF DIRECTORS MEETING.

It was moved by Gil Hurtado, seconded by Sylvia Ballin, and unanimously carried to approve the minutes of the May 20, 2015 Board of Directors meeting.

C. APPROVAL/ADOPTION OF A BUDGET FOR THE 2015-16 FY.

Staff referred those present to the proposed budget contained in the agenda packet noting that it represents the best estimates of staff regarding future financings. Staff discussed each line item of estimated receipts and expenditures, and noted that a balanced budget is being presented for approval/adoption.

Staff responded to questions regarding the last fiscal year budget and whether or not revisions can be made during the year. President McCormick asked if there were any further questions or comments. There were none.

It was moved by Gil Hurtado, seconded by Sylvia Ballin, and unanimously carried to approve/adopt the 2015-16 FY budget.

D. STATUS REPORT ON SB 710 (GALGIANI) - JOINT EXERCISE OF POWERS: FINANCING

Staff noted as follows:

As a reminder, SB 710 would allow California Joint Powers Authorities (such as ICFA) to issue bonds and enter into loan agreement or refinance private projects located outside of the State of California.

SB 710 passed the Senate Government & Finance Committee on May 6th, the Senate Appropriations Committee on May 26th, and the Senate Floor on June 2nd with a 39-0 vote. The bill is now waiting to be assigned to an Assembly Committee.

Staff thanked those Board Members who sent letters and made phone calls to Senator Lara (Chair of the Senate Appropriations Committee) encouraging him to support SB 710.

President McCormick asked if there were any questions or comments. There were none.

It was unanimously carried to receive and file this item.

E. STATUS REPORT ON THE COUNTY OF LOS ANGELES BECOMING AN ASSOCIATE MEMBER OF ICFA.

Staff noted that the matter is currently pending in the County Counsel's Office and that Greg Spiker of Ken Spiker And Associates, Inc. is in the process of setting up a meeting with Supervisor Mark Ridley-Thomas.

F. APPROVAL OF FINANCIAL ACCOUNTING FOR THE PERIOD MAY 1, 2015 TO MAY 30, 2015.

It was moved by Sylvia Ballin, seconded by Gil Hurtado, and unanimously carried to approve the financial accounting for the period May 1, 2015 to May 30, 2015.

G. UPDATE ON PENDING PROJECTS/ACTIVITIES.

Staff provided an update on numerous projects/activities that ICFA is involved in.

B. STATUS REPORT ON AN ICFA MARKET RATE LEASE PURCHASE HOMEOWNERSHIP INITIATIVE PROGRAM AND APPROVAL TO CONTINUE WITH THE DEVELOPMENT AND IMPLEMENTATION OF THE PROGRAM.

This item was moved to the end of the agenda.

Staff distributed a "Confidential Attorney/Client Privilege" Memorandum from Legal Counsel to Board Members and introduced Guy Burgoon of Emerging Markets Group (EMG) and Glen Price of Best Best & Krieger who provided an update on the lease purchase homeownership initiative program and answered questions regarding the structure of the program. It was agreed that the goal of the program is to provide home ownership to those individuals who may not otherwise be able to purchase a home.

President McCormick asked if there were any further questions or comments. There were none.

It was moved by Gil Hurtado, seconded by Johnny Phineda, and unanimously carried to authorize EMG to continue to develop, structure and implement an ICFA Market Rate Lease Purchase Homeownership Initiative Program.

VI. COMMENTS FROM BOARD MEMBERS.

There were no comments from Board Members.

VII. COMMENTS FROM STAFF.

It was agreed that the next ICFA Board meeting will take place on Wednesday, July 15th, at 12:00 noon in the City of South Gate.

VIII. ADJOURNMENT.

There being no further business to be discussed, the meeting was adjourned at 12:45 p.m.

Respectfully submitted,

_____/s/_____
Deborah J. Smith
Executive Director

RESOLUTION NO. 2015-5

A RESOLUTION OF THE BOARD OF DIRECTORS/EXECUTIVE COMMITTEE OF THE INDEPENDENT CITIES FINANCE AUTHORITY AUTHORIZING THE CREATION OF A \$100,000,000 SINGLE FAMILY LEASE PURCHASE HOMEOWNERSHIP INITIATIVE

WHEREAS, one of the purposes of the Independent Cities Lease Finance Authority, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), is to promote affordable housing within its service area for individuals of low and moderate income; and

WHEREAS, it has become increasingly difficult for persons of low and moderate income to qualify for FHA-insured financing due to the tightening of credit standards, even when such individuals have sufficient income to pay a mortgage; and

WHEREAS, many persons of low and moderate income who would not otherwise qualify for FHA financing can qualify to assume an existing FHA-insured loan if they receive assistance to strengthen their credit and establish a history of making timely payments; and

WHEREAS, the Authority has worked with Emerging Markets Group, LLC ("EMG"), over the past eighteen (18) months to develop a single family mortgage lending initiative to assist persons of low and moderate income who meet specified criteria pursue eligibility to become homeowners by selecting and residing in a single family property per the terms of a twenty-four month lease agreement while actively participating in mandatory financial literacy, credit management, and FHA-approved housing counseling curriculum to become eligible to acquire the property through qualifying loan assumption at lease end ("Initiative"); and

WHEREAS, EMG, in consultation with Authority staff and legal counsel, has negotiated various agreements with private and non-profit partners to allow the Authority to implement the Initiative solely through the use of private funding and the origination of FHA-insured loans to finance the purchase of single family properties by Authority for use in the Initiative in accordance with HUD requirements;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE BOARD OF DIRECTORS/EXECUTIVE COMMITTEE OF THE INDEPENDENT CITIES FINANCE AUTHORITY AS FOLLOWS:

SECTION 1. The Authority hereby approves the Initiative as set forth in the various agreements and documents that have been presented to the Board, including the Program Guidelines that are attached to this resolution.

SECTION 2. The Executive Director, upon consultation with legal counsel for the Authority, may finalize negotiations and execute the following contracts to implement the Initiative (collectively, the "Project Contracts"): (i) Program Management Services Agreement with EMG; (ii) Program Sponsor Agreement with American Financial Network; (iii) Credit Counseling Agreement with Money Management International; (iv) Master Service Agreement for Property Management with HomeStar Property Management; and (v) Custody and Disbursement Agreement with Wilmington Trust.

SECTION 3. The Executive Director, in consultation with EMG, will further arrange for (i) property insurance and mortgage protection insurance coverage to be put in place in connection with the Initiative as described in the materials that have been presented to the Board; and (ii) the establishment of reserve funds for the preservation of properties acquired by the Authority in connection with the Initiative and for the funding of delinquent mortgage payments.

SECTION 4. The Authority authorizes the President and/or Executive Director to execute in the name of the Authority, the Project Contracts and all other documents required to implement the Initiative.

SECTION 5. Effective Date. All resolutions of the Authority or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This Resolution shall take effect immediately upon adoption.

PASSED, APPROVED, AND ADOPTED BY THE INDEPENDENT CITIES FINANCE AUTHORITY
THIS 7TH DAY OF OCTOBER, 2015.

President

Secretary/Executive Director

I, Deborah Smith, Secretary and Executive Director of the Independent Cities Finance Authority, do hereby certify that the foregoing Resolution was duly adopted by the Board of Directors/Executive Committee of said Authority at the meeting of the Board of Directors/Executive Committee of said Authority held on the 7th day of October, 2015, and that the same was passed and adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Deborah Smith, Secretary and Executive Director
of the Independent Cities Finance Authority

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September 30, 2015

Sent Via Electronic Mail

Independent Cities Finance Authority
Post Office Box 6740
Lancaster, California 93539-6740
Attn: Debbie Smith, Executive Director
debbie@icfauthority.org

Re: Agreement For Legal Services

Dear Ms. Smith,

We are pleased to provide legal services to Independent Cities Finance Authority (“ICFA”). This letter will confirm ICFA’s engagement of Ballard Spahr LLP (“Ballard Spahr”) with respect to the matters described herein. If you are in agreement, please sign the enclosed copy of this letter in the space provided below. If you have any questions about these provisions, or if you would like to discuss possible modifications, do not hesitate to call.

SECTION 1. *Client; Scope Representation.* Our client in these matters will be ICFA. ICFA is a joint powers authority duly organized and existing under the laws of the State of California. ICFA is authorized to issue bonds pursuant to Chapter 8 of Part 5 of Division 31 of the Health and Safety Code of the State of California to finance the acquisition of mobile home parks (the “Projects”) by nonprofit organizations within the jurisdiction of the ICFA.

We will be engaged to provide a legal memorandum to ICFA addressing (1) general guidelines for using the installment method of accounting and (2) the use of the installment method to account for payments received on certain subordinate bonds issued by ICFA from time to time and placed directly with sellers of Project as consideration for a portion of the purchase price of such Projects.

You may limit or expand the scope of our representation from time to time, provided that any limitation or expansion must be agreed to by us.

SECTION 2. *Term of Engagement.* Either of us may terminate the engagement at any time for any reason by written notice, subject on our part to applicable rules of professional conduct.

SECTION 3. *Conclusion of Representation; Retention and Disposition of Documents.* Unless previously terminated, our representation of ICFA with respect to the legal services described above will terminate upon our sending you a delivery of our final statement for services rendered in this matter. Following such termination, any otherwise nonpublic information you have supplied to us which is retained by us will be kept confidential in accordance with applicable rules of professional conduct. Our own files pertaining to the matter will be retained by the firm. These firm files include, for example, firm administrative records, time and expense reports, personnel and staffing materials, and credit and accounting records, and internal lawyers' work product such as drafts, notes, internal memoranda, and legal and factual research, including investigative reports, prepared by or for the internal use of lawyers. All such documents retained by the firm will be transferred to the person responsible for administering our records retention program. We may destroy or otherwise dispose of any such documents or other materials retained by us within a reasonable time after the termination of the engagement.

SECTION 4. *Post-Engagement Matters.* You are engaging the firm to provide legal services as described above. After completion of the matter, changes may occur in the applicable laws or regulations that could have an impact upon your future rights and liabilities. Unless you engage us after completion of the matter to provide additional advice on issues arising from the matter, the firm has no continuing obligation to advise you with respect to future legal developments.

SECTION 5. *Fees and Expenses.* Our fees will be based primarily on the billing rate for each attorney and paralegal devoting time to a matter. Each lawyer and paralegal has an hourly billing rate based generally on experience and special knowledge. The rate multiplied by the time expended on ICFA's behalf, measured in tenths of an hour, will be basis for determining the fee. We estimate that our fees for the matter described above will be between \$7,500 and \$12,500. Payment may be paid by check or wire transfer.

SECTION 6. *Client Responsibilities.* You agree to cooperate fully with us and to provide promptly all information known or available to you relevant to our representation. You also agree to pay our statements for services and expenses in accordance with paragraph 5 above.

SECTION 7. *Conflicts.* As you are aware, the firm represents many other companies and individuals. It is possible that present or future clients will have transactions with ICFA. At this point in time, we are not aware of any such conflicts with ICFA.

Once again, we are pleased to have this opportunity to work with you. Please call me if you have any questions or comments during the course of our representation.

Very truly yours,

Preston F Olsen

AGREED AND ACCEPTED:

Independent Cities Finance Authority

By: _____

Title: _____

Date: _____