

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON, ARIZONA
Minutes of the Regular Meeting
of the Board of Directors

March 8, 2007

At the
Ward VI Council Office West Meeting Room
3202 East Fifth Street
Tucson, Arizona 85716

Present:

Board Members Jaime P. Gutierrez
Michael Hammond
Marilyn Robinson
Christopher Carroll
Sonia Trejo
Mary Lou Mobray

Staff Gary Molenda, Business Development Finance Corporation (via teleconference)
Karen Valdez, Business Development Finance Corporation
Charles W. Lotzar, Lotzar Law Firm, P.C.

Guests Scott Riffle, George K. Baum & Company
Jack Siry, City of Tucson Community Services

Absent: Ben Buehler-Garcia

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona was held on **March 8, 2007** at 3202 East Fifth Street, Tucson, Arizona. All Board Members and the general public were duly notified of the meeting. C. Lotzar explained that Arizona’s Open Meeting Laws allow for members of the Authority’s Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard.

| ITEM | ACTION TAKEN/TO BE TAKEN |
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| I. Call to Order. | The meeting was called to order at 4:10 p.m. with a quorum present. |
| II. Request for resolution to approve the minutes of the Board of Director’s Regular Meeting of January 9, 2007. | A MOTION was made and seconded (M.L. Mobray / C. Carroll) to approve the Regular Meeting minutes of January 8, 2007 as presented. Approved 6-0. |
| III. Request for resolution to approve the payment of invoices and the notification of items to be paid on the Authority’s behalf by third parties. K. Valdez presented a schedule of the payables, for approval, for the period January 10, 2007 through March 8, 2007 . | A MOTION was made and seconded (M. Hammond/S. Trejo) to approve payment of invoices for the period of January 10, 2007 through March 8, 2007 based on the schedule presented. Approved 6-0. |

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| <p>IV. Discussion and request for resolution granting preliminary approval to the issuance of qualified mortgage revenue bonds (“MRBs”) in amount not to exceed \$30,000,000 during the period of time running from March 1, 2007 through December 31, 2007 to the extent permitted by Arizona Revised Statutes Section 35-901 onward, including a demonstration of the Authority’s desire to work collaboratively with one or more industrial development Authorities.</p> <p>C. Lotzar introduced Scott Riffle, George K. Baum & Company, who provided update information on the previous Joint Mortgage Revenue Bond Program - Series 2006 (“MRB Program”), leading into the 2007 MRB program that closed January 26, 2007, and was structured to originate very quickly. Mr. Riffle reviewed the 2007 MRB Program loan statistics noting that at half way through its origination period (to date), 53% of funds have been reserved, 1% represents purchased loans, and 46% is money available for origination. Reservations are averaging \$1.5 to \$2 million per week as a result of the 5.69% interest rate that was structured to produce the lowest first mortgage rate possible and is at 35 basis points below the best market rate. The majority of loans originated are conventional. Due to recent changes in legislation, Veterans no longer are required to be first-time homebuyers to participate in the program. Lender statistics were reviewed. It was noted that the 2006 and 2007 MRB Programs were done at “full spread”; which is the maximum compensation amount allowed by the Internal Revenue Service (“IRS”).</p> <p>Pursuant to recent press regarding problems in the prime market and tightening of credit standards, G. Molenda question whether the Authority’s program is, in any way, exposed to this very aggressive underwriting or is it more conservative. S. Riffle explained that what makes this program different and basically immune to this type of problems is that these loans are securitized by Ginnie Mae and Fannie Mae securities and the Authority is not in a position to actually take losses. M. Robinson requested information on average income and loan amounts as a gage to who is being served such as smaller families at the higher end of the income range or larger families at the lower end of the income range. S. Riffle explained that Freddie Mac guarantees all the conventional loans in this program and Freddie Mac reduced the fee for that guarantee, from 25 basis points to 15 basis points, primarily because a lot of loans are made to families at 80% or less of median income.</p> | <p>A MOTION was made and seconded (M. Robinson / M.L. Mobray) to grant preliminary approval to the issuance of qualified mortgage revenue bonds in an amount not to exceed \$30,000,000 during the period of time from March 1, 2007 through December 31, 2007. Approved 6-0.</p> |
| <p>V. Status report concerning parity tests associated with the various outstanding single family mortgage revenue bond programs and request for resolution with respect thereto.</p> <p>C. Lotzar explained that the Single Family Bond Portfolio is something that appears as a foot note on the Authority’s financial statements and is where the bulk of the Authority’s wealth comes from. In order to make sure the single family mortgage revenue bond programs are tracking correctly, parity testing, used primarily to detect errors in data, should be done periodically to provide an early warning of an imbalance. C. Lotzar reviewed the letter received from George K. Baum & Company (“GKB”) dated January 29, 2007 offering to perform the parity testing at no charge. The letter also states that no information gained from the parity testing will be used by GKB to trade IDA bonds. Reasons to have periodic (annual or semi-annual) parity testing in addition to protecting assets would be to 1) increase the value of Bonds, and 2) protect Bond holders.</p> | <p>A MOTION was made and seconded (S. Trejo / M. Hammond) to authorized George K. Baum & Company to proceed with parity tests of the Authority’s outstanding Single Family Bond Program. Approved 6-0.</p> |
| <p>VI. Request for resolution endorsing proposed interpretations and/or amendments to Arizona’s Industrial Development Financing Act, Allocation of Private Activity Bonding Authority Act, or other legislation affecting the Authority’s affairs.</p> <p>C. Lotzar reported that there is a Bill that was recently introduced related to student loans that would allow Industrial Development Authority’s the power to issue Student Loan Bonds. J. Gutierrez stated that a similar bill was previously vetoed by the Governor. Additionally, Senate Bill 1038, previously discussed, relates to property tax valuation, would require that the Assessor value property on the income approach using the actual</p> | |

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| <p>annual income and expenses of the property excluding income from the sale of federal low income housing tax credits and use a market based capitalization rate developed for multifamily residential rental property not participating in the low income housing tax credit program. At the previous meeting it was decided to let it sit and take direction from the City of Tucson. J. Gutierrez asked that Mr. Lotzar follow up with Mary Okoy in the City Managers office regarding the City's position.</p> | |
| <p>VII. Discussion and request for resolution authorizing the issuance of The Industrial Development Authority of the City of Tucson, Arizona Single Family Mortgage Revenue Bond Draw Down Program Series 2007 in an amount not to exceed \$50,000,000.</p> <p>As previously discussed this is an item that Mr. Lotzar has been endeavoring to create and may still be premature to approve as the Private Activity Bond use for the next program has not yet been determined. Mr. Lotzar gave a brief re-cap of the events that occurred last fall with respect to this item. Quotes were requested and received from: Newman, now Capmark, George K. Baum & Co., Morgan Keegan, and Rauscher Pierce. Since that time, new quotes have not been requested. Discussion ensued and it was determined that the Authority can either approve resolution or wait. The down side is cost which would be approximately \$40,000 that would come from the General Fund. It was the consensus of the Board to revisit this item, in addition to revised budget figures, at the next meeting.</p> | <p>TABLED FOR DISCUSSION</p> |
| <p>VIII. Request for resolution approving the Authority's audited financial statements for the fiscal year ended June 30, 2006 as prepared by the Authority auditor.</p> | <p>TABLED</p> |
| <p>IX. Request for resolution to develop a recommendation to Mayor and Council for consideration and election of candidates for the Board of Directors of the Authority pursuant to Arizona Revised Statutes Section 33-705 for the requisite statutory period.</p> <p>Mr. Lotzar reported that K. Valdez will be reviewing files of the City Clerk as they pertain to historical terms of Board Members to determine accuracy of appointment and expiration dates. The terms of three Board Members: Jaime Gutierrez, Sonia Trejo, and Marilyn Robinson, will be expiring March 12, 2007. It was the consensus of the Board to recommend all three for reappointment.</p> | <p>A MOTION was made and seconded (C. Carroll / M.L. Mobray) to submit the following names: Jaime Gutierrez, Sonia Trejo, and Marilyn Robinson, to the City Manager for re-appointment. Approved</p> |
| <p>X. Staff Reports</p> <ul style="list-style-type: none"> • Outstanding Single Family Programs • Block 175 / Torreon Partnership • Dark Mountain Development Corporation • Federal Legislation • Analysis of history of the Authority's Board of Directors | <p>TABLED</p> |
| <p>XI. President's Report</p> <ul style="list-style-type: none"> • Brief summary of current events, including items brought to the President's attention or matters that required handling by the President since the last meeting. <p>No report.</p> | |
| <p>XII. Call to the Audience</p> <p>There was no one in the audience who wished to address the Authority.</p> | |
| <p>XIII. Adjourn</p> | <p>There being no further business, the meeting was adjourned at 5:20 p.m.</p> |

Submitted by:

Approved by:

Karen J. Valdez
Business Development Finance Corp.

Jaime P. Gutierrez, President
The Industrial Development Authority of the
City of Tucson, Arizona