

The Industrial Development of the City of Tucson, Arizona 2013 Annual Report

MISSION

The Industrial Development Authority of the City of Tucson, Arizona (the "TIDA") is a nonprofit corporation, which has been designated by statute as a political subdivision of the State of Arizona. TIDA receives no public funds, grant support or donations from any source, operating solely on revenues generated from its business activities. TIDA's mission includes (a) issuing private activity bonds for qualified borrowers, (b) assisting first-time homebuyers through mortgage revenue bond and mortgage credit certificate programs, (c) providing mortgage products to qualified homebuyers, and (d) providing direct loans for community development projects within the boundaries of the City of Tucson (the "City").

The IDA has 4 stated goals:

- 1) **Economic Development.** TIDA will promote and assist in the rehabilitation, expansion and development of business and industry. The intent is to create and maintain jobs to assure an improved standard of living and an increase in the prosperity of all residents of the City. TIDA will place an emphasis on new and expanding businesses where sources of traditional capital are unavailable.
- 2) **Affordable Housing.** TIDA will assist in the financing, rehabilitation and development of affordable housing and promote homeownership opportunities with an emphasis on the residents of the City.
- 3) **Downtown, Neighborhood, and Community Development.** TIDA will promote and assist projects designed to enhance, revitalize and rehabilitate the cultural, social, economic, historical and physical resources of the downtown, lower income neighborhoods, in-fill projects, and of the broader Tucson community.
- 4) **Sustaining and Fiscally Sound Investments.** TIDA will participate in self-sustaining and fiscally sound investments commensurate with the risk and community interests.

TIDA's Board of Directors have been advised that the funds under their control are "public funds" and as a result they have a duty to be good stewards of those funds, which requires some level of diligence.

TIDA had 4 stated objectives for 2013:

Objective No. 1 - Implement a taxable single family mortgage program to serve qualified homebuyers so as to maintain a consistent presence in the market.

Objective No. 2 - Collaborative Goal: Work with the City and Pima County to have a consistently available down payment assistance program for qualified homebuyers.

Objective No. 3 - Maintain and develop plans for existing Real Estate: (a) Block 175 Parking Lot, (b) Stone/Council Parking Lot, and (c) 450 N. Main Avenue.

Objective No. 4 - Complete and submit an application to the United States Department of Treasury for certification as a Community Development Financial Institution ("CDFI").

2013 Analysis of results to stated objective:

- 1) Implement a taxable single family mortgage program to serve qualified homebuyers so as to maintain a consistent presence in the market.
 - * The Joint Pima/Tucson 2012 Taxable Program known as: Pima Tucson Homebuyer's Solution Program was launched **December 18, 2012**. The qualifying income limit for the program began at **\$65,500** that was increased on **March 31, 2013** to **\$68,885** which is **115%** of Area Median income. Each loan receives **4%** down payment/closing cost assistance.
 - * As of **December 31, 2013**, the program made **\$57,852,702.00** available for low interest single family mortgages and **\$2,269,385.00** for down payment assistance for income-qualified homebuyers. This made it possible for **497** local low to moderate income persons and families to become homeowners.
- 2) Collaborative Goal: Work with the City and Pima County to have a consistently available down payment assistance program for qualified homebuyers.
 - * The Pima Tucson Homebuyer's Solution Program, referenced above, provides each qualifying homebuyer with **4%** down payment/closing cost assistance.
- 3) Maintain and develop plans for existing Real Estate: (a) Block 175 Parking Lot, (b) Stone/Council Parking Lot, and (c) 450 N. Main Avenue.
 - * For **450 N. Main Avenue** there was a Lease Agreement between TIDA and Dinnerware Artspace; which was terminated by Dinnerware Artspace, as of **March 31, 2013**, due to road construction related to the Downtown Links project.
 - * For the **Block 175** parking lot archeological clearance is a legal requirement based on City ordinance to obtain a permit for development. Potential for development of **Block 175** is to be determined, since a quote of approximately **\$900,000** was obtained in order to complete the archeological clearance.
 - * For the **Stone/Council** parking lot archeological clearance is a legal requirement based on City ordinance to obtain a permit for development. This site has potential for development, based on its proximity to the new Pima County Courthouse, although that potential is uncertain since a quote of approximately **\$220,000** was obtained in order to complete the archeological clearance.
- 4) Complete and submit an application to the United States Department of Treasury for certification as a Community Development Financial Institution ("CDFI").
 - * TIDA filed applications for (a) certification as a CDFI status and (b) grant funds for capacity building. TIDA's Articles of Incorporation and Bylaws were amended for clarification purposes to accommodate the requirements of CDFI; the application for CDFI designation was completed and submitted prior to the **February 26, 2013** deadline.
 - * TIDA received a decline letter from the Department of the Treasury's CDFI Fund (the "Fund") dated **September 17, 2013**. The reasons for denial of certification were (a) non-compliance with the "Non-Government Entity" criterion, and (b) the "Accountability" criterion. The Fund deemed TIDA to be ineligible for CDFI certification, because TIDA is designated by statute as a political subdivision of the State and the City of Tucson's Mayor & Council serve as the TIDA's Governing Body. The Fund also deemed TIDA to be ineligible for CDFI certification, because TIDA's accountability to the "Low-Income Targeted Population" and the "Other Targeted Population" was insufficient.

- * At the **December 13, 2013** Special Meeting, an Advisory Committee named the "CDFI Planning Committee" was established and tasked with review and to explore other options.
- 5) General Overall Goal - Maintain a strong relationship with City through support of: (a) Housing Trust Fund, (b) Downtown Development, and (c) Warehouse triangle district.
- * During the **2013** calendar year, TIDA provided technical assistance to City staff pursuant to the HUD Section 108 Program Financial Agreement between the City and TIDA dated **September 24, 2012**.
 - * TIDA was a participating lender in **2** loans for downtown Tucson businesses.

LOAN ACTIVITY

TIDA approved 4 loans and lent **\$157,000** to existing local businesses and nonprofit organizations. This brought the number of outstanding loans to **14** for a portfolio total of **\$867,900**. These loans have enabled local businesses to start or expand existing businesses, and have provided nonprofit organizations with funds for property acquisition, rehabilitation, and working capital.

From **1984 through December 31, 2013** TIDA has provided **\$3,462,669** in small loans to **32** local businesses and nonprofit organizations of which **\$1,686,358** was lent to projects located in, or adjacent to, the City's downtown.

PRIVATE ACTIVITY BOND PROJECTS:

TIDA worked with **3** businesses on private activity bond financing for projects, granting preliminary approval in an amount of **\$31,135,000** of which **\$6,135,000** in taxable/tax-exempt bonds were issued in **2013** and **\$24,500,000** are to be issued in **2014**.

From **1984 through December 31, 2013** TIDA has provided **\$651,145,000** in Private Activity Bond financing of which **\$66,150,000** was issued to projects located in, or adjacent to, the City's downtown.

SINGLE FAMILY FIRST - TIME HOMEBUYER PROGRAM offered by TIDA:

- **2011 Single Family Mortgage Credit Certificate Program ("MCC")** was available to qualifying first-time homebuyers, is designed to reduce the homebuyer's federal income tax liability by providing a dollar-for-dollar federal tax credit equal to **20%** of the annual interest paid on a home mortgage. The homebuyer receives this benefit every year for as long as they remain in the home purchased. During **2013**, **7** first-time homebuyers obtained a Mortgage Credit Certificate adding to the total of **28** issued.

Program Activity:		Female HH	
2011 MCC's issued:	28	Asian	2
Average Household Size:	1.54	African Am.	0
Average Household Income:	\$ 42,881.94	Hispanic	5
Average Loan Amount:	\$118,854.68	White	21 2
Average Purchase Price:	\$125,700.36	Am. Indian	0
80% or below AMI:	64.29%	Other	0

2011 MCC Program aggregate mortgage amount issued through 12/31/2013 was approximately **\$3,327,930**.

- At the **September 12, 2013** Regular Meeting, the Authority approved the establishment of the **2014 Mortgage Credit Certificate Program**, including use of allocation of Private Activity Bonding Authority in an amount not to exceed **\$5,000,000.00**. The program will have an origination period from **January 1, 2014 through December 31, 2016**.