

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

July 12, 2007

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

- Present:**
- Board Members**
 - Jaime P. Gutierrez
 - Michael Hammond
 - Marilyn Robinson (4:05 p.m. to 4:45 p.m.)
 - Christopher Carroll
 - Sonia Trejo
 - Ben Buehler-Garcia
 - Staff**
 - Karen Valdez, Business Development Finance Corporation
 - Jean Getek, Business Development Finance Corporation
 - Charles W. Lotzar, Lotzar Law Firm, P.C.
 - Anne Terry Morales, Lotzar Law Firm, P.C.
 - Guests**
 - Scott Riffle – George K. Baum
 - Mary Hardin – Drachman Design Build Coalition
 - Corky Poster – Drachman Design Build Coalition
 - Roxanne Gallagher – Ballard Spahr Andrews & Ingersoll, LLP
 - Nancy Lashnits – Ballard Spahr Andrews & Ingersoll, LLP
 - Jason _____ - COPE Behavioral Services
 - Pat Benchik – COPE Behavioral Services
 - Scott Stewart, Latitude Corp.
 - Jack Siry – City of Tucson
 - Absent:**
 - Mary Lou Mobray

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona was held on **July 12, 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. No one appeared via conference telephone call.

ITEM	ACTION TAKEN/TO BE TAKEN
I. Call to Order. C. Lotzar announced that he has asked Anne Morales to become an employee of the Lotzar Law Firm, P.C. and assist him with issues pertaining to the Authority. A. Morales was enthusiastically welcomed back by the Board.	The meeting was called to order at 4:05 p.m. with a quorum present.

<p>II. Request for resolution to approve the minutes of the Board of Director's Regular Meeting of May 16, 2007.</p>	<p>A MOTION was made and seconded (M. Robinson / B. Buehler-Garcia) to approve the Regular Meeting minutes of May 16, 2007 as presented. Approved 6-0.</p>
<p>III. Request for resolution granting preliminary approval for the issuance of the Issuer's Healthcare Revenue Bonds (COPE Community Services, Inc. Project), Series 2007 in a principal amount not to exceed \$4,500,000 to finance the acquisition, construction, improvement, and equipping of health care facilities to be owned and operated by COPE Community Services, Inc., an Arizona nonprofit corporation.</p> <p>C. Lotzar introduced Pat Benchik, Executive Director and Jason _____ of COPE, Nancy Lashnits and Roxanne Gallagher from Ballard Spahr Andrews & Ingersoll, LLP, all in support of the resolution being presented. Mr. Lotzar briefly reviewed the financial summary explaining it is a tag a long financing from last years financing, not intended to address any construction cost overruns but to rather add new projects to the previous financing. There are 3 components to the project: a rehab of existing site located at 732 N. Stone Avenue, and 2 new proposed facilities at 1501 and 1525 W. Commerce Court. Like last year's financing, this will be a private placement to Nonprofit Preferred Funding currently expecting the bond at an interest rate not to exceed 7.5% at 30 years fully amortized. It is anticipated that closing will take place the first week of September 2007. There has been some litigation recently reported in the local papers which the applicant has made an effort to disclose the nature in writing to the Authority and the prospective Bond purchasers. Mr. Lotzar introduced Pat Benchik who briefly reviewed the project explaining that the financing of this project will be supporting a very important health care clinic catering to the southwest side of Tucson. Mr. Benchik introduced Jason _____ who manages the facilities and real estate for COPE who responded to questions pertaining to renovations and budget. From last project, they are at about \$283,000 surplus from what was budgeted and looking at a surplus of about 3.67% of the previous bond. All contracts are signed and guaranteed. The general analysis of income to the Authority is \$2,500 application fee plus ongoing annual fee (8 basis points) based on the balance of outstanding bond.</p>	<p>A MOTION was made and seconded (M. Hammond /B. Buehler-Garcia) to approve the resolution authorizing preliminary approval for the issuance of the Issuer's Healthcare Revenue Bonds, Series 2007 in a principal amount not to exceed \$4,500,000 to finance the acquisition, construction, improvement, and equipping of healthcare facilities to be owned and operated by COPE Community Services, Inc., an Arizona nonprofit corporation. Approved 4-0 and 1 abstention (J. Gutierrez).</p>
<p>IV. Request for Resolution granting preliminary approval to the issuance of its Variable Rate Demand Industrial Development Revenue Bonds (Latitude Project) Series 2007, in a principal amount not in excess of \$8,000,000 to finance the acquisition, construction, improvement, and equipping of an approximately 55,000 square foot metal parts manufacturing facility located at 949 West Silverlake Road, Tucson, Arizona.</p> <p>C. Lotzar reviewed the project summary for the Latitude Project with the Authority. Latitude Corp. a Wisconsin Subchapter S Corporation is a manufacturing facility who has been involved in Bond financing in the past and is desirous of doing a financing here in Tucson of a 55,000 square foot building. Tom Whittman, The Whitman Group LLC, is the financial advisor on this project, Pat Ray, Kutak Rock LLP, is the Bond Counsel. The project is intended to be up to \$8,000,000 with a variable rate revenue bond issue. The general analysis of income to the Authority is \$2,500 application fee plus ongoing annual fees (8 basis points) based on the balance of outstanding bond. This is conduit financing and will be the credit of the applicant on the line. Because this project will have a variable rate there will be a letter of credit. They have a rating well in excess of minimum requirement which is BBB-. Sources and uses and timetable were reviewed. Issuance of Bonds is anticipated for August 30, 2007. Mr. Lotzar introduced Mr. Scott Stewart to answer questions of the Authority. Mr. Stewart reviewed the project which will be located at 949 W. Silverlake (Silverlake & Santa Cruz) adjacent to the interstate east of Pima County jail. Latitude Corp. will also have first right of refusal on an additional 4 acres of land. As job creation, they will immediately employ 50 with an average salary of \$12 to \$14 for unskilled labor and \$18 to \$24 for skilled labor. Questions ensued which were answered by Mr. Scott Stewart to the Authority's satisfaction.</p>	<p>A MOTION was made and seconded (B. Buehler-Garcia / C. Carroll) to approve resolution granting preliminary approval to the issuance of its Variable Rate Demand Industrial Development Revenue Bonds Series 2007 in a principal amount not in excess of \$8,000,000. Approved 6-0.</p>

<p>V. Status report from George K. Baum and Company concerning mortgage loan originations to the issuance of \$30,000,000 The Industrial Development Authorities of the City of Tucson, Arizona and the County of Pima of Joint Single Family Mortgage Revenue Bonds, Series 2007B.</p> <p>C. Lotzar reminded the Authority that the referenced bond issue closed on June 25, 2007. S. Riffle was introduced by C. Lotzar and presented a project summary explaining that there are \$15,000,000 reservations out of the total issue of \$30,000,000 which is an average of \$3,000,000 to \$5,000,000 in reservations per week. This can be attributed to 3 reasons: 1) The issue has an outstanding rate of 6.15% and if you are a Veteran the rate is 6.05% for the first \$3,000,000 of funds; 2) negotiated favorable programmatic terms with Fannie Mae and Freddie Mac (no 1% loan level price adjustment); and 3) the sub-prime mortgage market melt down has shown to be a benefit to issuers of Single Family Mortgage Revenue Bonds (“MRB”). The IDA’s are recapturing the market share. For years it was difficult to do MRB’s because the Lenders had taken the market share. This reason no longer exists. This transaction is at full spread and is as profitable as allowed by the IRS. The Authority will earn 27 basis points as an issuer fee and residuals are maxed out at 125% spread. The only expense to the Authority on this transaction was under \$5,000. Additionally, this transaction has an added special provision of a 40 year fixed rate loan which is almost 50% through in reservations. This is an indication of affordability issues that exist today. It was noted that there is no need to have a recycling program as the allocations are originating so fast. It is anticipated that a new allocation will be needed by September 2007. It was also noted that Washington Mutual, generally known for not participating in MRB programs, has signed up for the program.</p>	
<p>VI. The Industrial Development Authorities of the City of Tucson, Arizona and the County of Pima Joint Single Family Mortgage Revenue Bonds Draw Down Series 2006 in an amount not to exceed \$100,000,000 – Request for resolution approving the (1) Consent to and Assignment of Bond Purchase Agreement allowing the assignment and transfer of certain duties from Capmark to George K. Baum & Company and (2) Supplemental Trust Indenture related thereto.</p> <p>C. Lotzar noted that when the prior recycling program transaction was completed with the Pima County IDA, a request for proposals was put out. One of the proposals received was from Newman & Associates, and they had with them as part of their financing team Squire Sanders. Squire Sanders gave aggressive opinion saying that the underwriter could pay the cost of the transaction which no other Bond counsel would give at the time. Subsequently, Newman & Associates, as part of GMAC, was sold and the new group and renamed Capmark; which eventually became Citi, is no longer desirous of being in this program. Citi contacted the Authority saying that they would honor their obligations and will transfer the responsibility to the Authority’s choosing. George K Baum, who had also submitted a proposal which was placed at 2nd and therefore, documents have been prepared to allow for the transfer. Pima County IDA has already authorized the transfer to George K. Baum and Scott Riffle. It was the consensus of the Authority to authorize this transfer.</p>	<p>A MOTION was made and seconded (S. Trejo / C. Carroll) to authorize 1) consent to and assignment of Bond Purchase Agreement allowing the assignment and transfer of certain duties from Capmark to George K. Baum & Company and 2) Supplemental Trust Indenture related thereto as it pertains to the Joint (Pima/Tucson) Single Family Mortgage Revenue Bonds Draw Down Series 2006 in an amount not to exceed \$100,000,000. Approved 5-0.</p>
<p>VII. Discussion and request for resolution granting preliminary approval to the issuance of qualified mortgage revenue bonds (“MRBs”) in an amount not to exceed \$30,000,000 during the period of time running from July 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 1 or more industrial development authorities.</p> <p>C. Lotzar noted that the proposed issue is anticipated to be the series 2007C issue using up the approximate allocation balance of \$6.7 million that was recently extended June</p>	<p>A MOTION was made and seconded (C. Carroll / B. Buehler-Garcia) to approve resolution granting preliminary approval to the issuance of qualified Mortgage Revenue Bonds in an amount not to exceed \$30,000,000 during the period of time running from July 1, 2007 through December 31,</p>

<p>29th for 90 days. During the 90 day period there are two options to the Authority: 1) close new financing jointly with Pima County IDA; and 2) if market conditions are not appropriate, can place the allocation in the joint draw down program that was just approved. Considering the rate of reservations, it is likely that all of the non-target funds from the 2007 B Program will be completely originated or reserved. When using new volume cap, there is a 20% set aside for targeted areas for a 1 year period. For this reason, the origination periods have been set at 1 year. It is more difficult to originate in target areas therefore the only funds available by the August 15th to 31st time frame will be target area money. S. Riffle explained that although the 40 year product is very attractive, it will not be available in the next program because there will most likely not be of benefit to borrowers. C. Lotzar noted that he is hopeful of being able to close a series 2007D in December with carry forward allocation as was done in December 2006 with the Mortgage Credit Certificate Program.</p>	<p>2007 including a demonstration of the Authority's desire to work collaboratively with 1 or more industrial development authorities. Approved 5-0.</p>
<p>VIII. Status report by the George K. Baum & Company 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 noted that testing came about by the recommendation he made to the Authority suggesting that the Authority make sure that their assets are in balance from an asset / liability side. He also noted that S. Riffle and George K. Baum are tracking these programs for the Authority at no cost to the Authority. Mr. Riffle provided a status report concerning parity tests and noted that the previous bond issues completed jointly with the Pima County IDA are operating as they should be. A brief report with a balance sheet will be prepared for the Authority. They did uncover the fact that there was a non-origination call and unfortunately were unable to catch it in time to recycle. It was noted that this was for a period prior to the request for parity testing by Mr. Riffle and George K. Baum. On the positive side, they were able to alert the Trustee of the need to recycle \$1,000,000 of joint cap that would have been missed otherwise. This money will be available to use in the series 2007C program. Mr. Riffle thanked the Authority for the business.</p>	<p>No vote was taken.</p>
<p>IX. Request for resolution authorizing the Authority to take action in connection with the Authority's investment as a limited partner in the Block 175 Limited Partnership (the "Partnership"), including but not limited to actions designed (a) to cause the sale, transfer or disposition of the Partnership's property, (b) to cause the redemption of the Authority's interest in the Partnership, or (c) to cause the wind-up of the Partnership's affairs in the Partnership as evidenced by that certain Agreement of Limited Partnership dated November 12, 1985 between the Downtown Development Corporation of Tucson, Arizona, an Arizona nonprofit corporation as general partner and the Authority as limited partner, as amended.</p>	<p>TABLED</p>
<p>X. Request for resolution authorizing the Authority to take action in connection with its investment as a limited partner in the Torreon Properties Limited Partnership (the "Partnership") including but not limited to actions designed (a) to cause the sale, transfer or disposition of the Partnership's property, (b) to cause the redemption of the Authority's interest in the Partnership, or (c) to cause the wind-up of the Partnership's affairs as evidenced by that certain Agreement of Limited Partnership dated December 24, 1986 between the Downtown Development Corporation of Tucson, Arizona, an Arizona nonprofit corporation as general partner and the Authority as limited partner, as amended.</p>	<p>TABLED</p>
<p>XI. Status report regarding the results of the Arizona Department of Commerce's allocation of private activity bonding authority lottery held on or about July 1, 2007.</p> <p>C. Lotzar provided a status report noting that before July 1, 2007 there are various pools, set aside by use, all of which converge on July 1st except for the Director's discretionary</p>	

<p>pool. The various Directors of the Arizona Department of Commerce have held that allocation back to be used at their discretion. On July 1st, there was substantial allocation taken of approximately \$90,500,000. Mr. Lotzar reviewed those allocations with the Authority. It was also noted that there remains an allocation amount of \$87,600,000 and of that amount, \$49,328,000 is Director's discretion. It is anticipated that for next calendar year the Authority will have new allocation in the amount of \$14 to \$15 million for subsequent programs. The Authority will have until June 30th, 2008 to use that allocation.</p>	
<p>XII. Status report and request for resolution authorizing the destruction of the Authority's files for bonds which were defeased, paid off or otherwise retired for 7 or more years, in accordance with the Authority's policy regarding file retention and disposition.</p>	<p>TABLED</p>
<p>XIII. Request for resolution authorizing an expression of interest letter with terms and conditions for a line of credit request from Drachman Design Build Coalition, Inc. ("DDBC") in an amount not to exceed \$216,000.</p> <p>M. Robinson declared a conflict of interest and will not be participating in any discussion or voting for this project. K. Valdez presented the history of DDBC and the proposed project summary. Jean Getek, loan officer/underwriter for Business Development Finance Corporation was introduced and reviewed, with the Authority, the loan synopsis outlining the strengths and weaknesses of the project, concerns with recommended due diligence, and terms and conditions outlined in the expression of interest letter. It was noted that there is still a lot of work to be completed before final approval can be issued.</p>	<p>A MOTION was made and seconded (C. Carroll / M. Hammond) to approve resolution authorizing an expression of interest letter with terms and conditions for a line of credit to the Drachman Design Build Coalition, Inc. in an amount not to exceed \$216,000.00. Approved 5-0 and 1 abstention (M. Robinson).</p>
<p>XIV. 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.</p> <p>K. Valdez presented account payables through the end of June 30, 2007. C. Lotzar noted that he advanced the confirmation fee and application fee, on behalf of the Authority, for the single family programs that is being reimbursed to him and not to be considered as part of his fee.</p>	<p>A MOTION was made and seconded (M. Hammond / S. Trejo) to approve payment of invoices for the period of May 17, 2007 through June 30, 2007 based on schedule presented. Approved 5-0.</p>
<p>XV. Discussion and request for resolution authorizing sponsorship request for: The National Association for County, Community, and Economic Development (NACCED) Conference.</p> <p>K. Valdez reminded the Authority that this item was tabled from the agenda a few months ago. The Authority was notified by Pima County Community Services that the Pima County IDA will sponsor \$1,500 with \$500 from the Pima County IDA, \$500 from Family Housing Resources, and \$500 from Community Investment Corporation. The National Association for County, Community, and Economic Development (NACCED) is a nonprofit national organization composed of county government agencies that administer community development, economic development, and affordable housing programs. This year, Pima County's Community Development and Neighborhood Conservation Department will be hosting the 32nd annual conference. The conference will be held from October 12 -17, 2007 at Tucson's University Marriott Hotel. Sponsorship opportunities range from \$500.00 to \$15,000.00. Discussion ensued and a recommendation was made for a sponsorship amount of \$1,000.00.</p>	<p>A MOTION was made and seconded (M. Hammond / S. Trejo) to approve a \$1,000.00 sponsorship of the NACCED Conference to be held in Tucson October 12 – 17, 2007. Approved 5-0.</p>
<p>XVI. Staff Reports:</p> <ul style="list-style-type: none"> • Outstanding Single Family Programs – K. Valdez reported that over a 6 month period, the 2007 MCC program has exceeded the 2004 MCC program in issues. The program is progressing very well and above expectations. • Dark Mountain Development Corporation – no report. 	<p>No vote was taken.</p>

<ul style="list-style-type: none"> • Federal Legislation – C. Lotzar reported that Anne Morales was asked to work on the Empowerment and Enterprise Zone Legislation on behalf of the Authority. The program has been effectively unused due to the live/work in the zone requirement. The Authority questioned whether there is an expiration date of the program. A. Morales will verify and send the info to the Authority via email. • Rio Nuevo District – • Warehouse District – • CREBS – C. Lotzar reported that there are some processes within the City of Tucson and TUSD that G. Molenda has been monitoring. The Authority has been contacted by a number of different bankers across the country that is desirous of being involved in the CREBS program. 	
<p>XVII. 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. 	TABLED
<p>XVIII. Call to the Audience</p> <p>There was no one in the audience who wished to address the Authority.</p>	
<p>XIX. Adjourn</p>	<p>There being no further business, the meeting was adjourned at 5:55 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