

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

**August 9, 2007**

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

**Present:**

**Board Members** Jaime P. Gutierrez  
Mary Lou Mobray (4:07 p.m. - 5:30 p.m.)  
Ben Buehler-Garcia (4:07 p.m. - 5:00 p.m.)  
Christopher Carroll  
Sonia Trejo

**Staff** Gary Molenda, Business Development Finance Corporation  
Karen J. Valdez, Business Development Finance Corporation  
Charles W. Lotzar, Lotzar Law Firm, P.C.

**Guests** Mary Hardin – Drachman Design Build Coalition  
Corky Poster – Drachman Design Build Coalition  
Jason Hisey - COPE Community Services  
Rod Cook – COPE Community Services  
Jack Siry – City of Tucson Community Services

**Absent:** Michael Hammond  
Marilyn Robinson

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **August 9, 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
<b>I. Call to Order.</b>	The meeting was called to order at <b>4:07 p.m.</b> with a quorum present.
<b>II. Request for resolution to approve the minutes of the Board of Director’s Regular Meeting of July 12, 2007.</b>	A <b>MOTION</b> was made and seconded (B. Buehler-Garcia / C. Carroll) to approve the Regular Meeting minutes of <b>July 12, 2007</b> as presented. <b>Approved 5-0.</b>
<b>III. Disclosure of relationship by Mr. Gutierrez and request for resolution granting final 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</b>	A <b>MOTION</b> was made and seconded (B. Buehler-Garcia / S. Trejo) to approve resolution

<p><b>\$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.</b></p> <p>It was noted for the record that Mr. Gutierrez will not be voting or participating in conversation or voting due to his wife’s contractual relationship with COPE. Mr. Gutierrez’s written declaration of conflict of interest has been filed in the Authority’s Minutes.</p> <p>C. Lotzar reviewed the form of resolution and summary of financing with the Authority. The form of resolution is in keeping with the Authority’s document standards and past practices, the summary of financing is substantially similar to the summary of financing previously presented to the Authority in connection to the preliminary approval resolution. There have been no material changes in the transaction other than the financing documents have been drawn and are in substantially final form. Mr. Lotzar introduced Jason Hisley and Rod Cook who both represent COPE Community Services, Inc. B. Buehler-Garcia requested clarification on the pending litigation and what the outcome might be if the results are unfavorable to COPE. Mr. Lotzar clarified the Authority’s position noting that the Authority serves as a “conduit” or “pass-through” entity which affords an entity like COPE the power to access the tax-exempt capital markets. This transaction is structured as a private placement of the bonds and is being sold to a qualified institutional buyer who will be signing an investor letter, frequently called “<b>Big Boy</b>” letters. The Big Boy letter represents to the Authority that Bond Purchaser is in the business of buying bonds, Bond Purchaser has e completed its own due diligence and it is not relying on the Authority. Bond Purchaser has independently analyzed the law suits, <b>3</b> that have been disclosed and <b>2</b> of which involve some level of insurance coverage, <b>1</b> involving past dealings with an affiliate related to past transactions on tax credit matters. Final litigation is significant and COPE’s counsel has indicated that it is too early to tell what the likely outcome will be. There is risk in transactions, however the role of the Authority in these transactions is to make sure that there is full and fair disclosure of all material. Mr. Lotzar assured the Authority that there is no evidence of reputation risk or economic risk of any form to the Authority.</p>	<p>granting final approval for the issuance of Healthcare Revenue Bonds, <b>Series 2007</b> in a principal amount not to exceed <b>\$4,500,000</b>. <b>Approved 4-0, with 1 Not Voting</b> (J. Gutierrez).</p>
<p><b>IV. Request for resolution granting final approval to the issuance of The Industrial Development Authorities of the City of Tucson, Arizona and the County of Pima of Joint Single Family Mortgage Revenue Bonds, Series 2007C, with both tax-exempt and taxable series in an aggregate principal amount not in excess of \$20,000,000, approving the General Plan and Standards and Requirements; and approving other documents and matters relating to the Bonds.</b></p> <p>C. Lotzar reported that the Series A program is fully originated, the <b>Series B</b> program is originating at approximately <b>\$5,000,000</b> per week. The Authority is in a position where it will be able to use all of the remaining private activity bonding authority which is <b>\$6,409,000</b>. Mr. Lotzar reviewed the volume cap analysis that shows the nature of the transaction and that it is currently being contemplated to layer in to the transaction some level of taxable bonds in order to get some scale to the transaction. The current contemplated transaction amount is up to <b>\$20,000,000</b> but it is more likely that the actual amount will be closer to <b>\$15,000,000</b>. This difference was to allow for latitude given the differentiation of tax-exempt and taxable rates in order to allow for the increase in sizing. The Authority only has the power to issue a limited amount of tax-exempt bonds. Both the City of Tucson Authority and the Pima Authority will be putting in a like amount of new volume cap: <b>\$6,409,000</b>, the joint facility will contribute all that is remaining: <b>\$900,000</b> to the program and the balance will be made up of taxable bonds. The present value created by the transaction, assuming full origination is approximately <b>\$420,000</b>. As in keeping with past transactions a concerted effort has been made to equalize the amount of private activity bonding authority contributed by both Authorities. The summary of financing shows an expected interest rate at not to exceed <b>6.25%</b>. Mr. Lotzar reported that Wall Street has completely closed the doors on the sub-prime market making this product extremely attractive. The form of resolution has attached to it the</p>	<p>A <b>MOTION</b> was made and seconded (S. Trejo / C. Carroll) to approve the resolution granting final approval to the issuance of the Joint Single Family Mortgage Revenue Bonds, <b>Series 2007C</b>, with both tax-exempt and taxable series in an amount not to exceed <b>\$20,000,000</b>, approving the General Plan and Standards and Requirements, and other documents and matters relating to the Bonds. <b>Approved 5-0.</b></p>

<p>General Plan, and Standards and Requirements all in keeping with past actions related to the <b>Series A</b> and <b>Series B</b> bonds with the only material exception being the inclusion of the taxable bonds.</p>	
<p><b>V. Disclosure of relationship by Mr. Gutierrez, Mr. Carroll, and Ms. Robinson and request for resolution granting approval to a loan for a line of credit request from Drachman Design Build Coalition, Inc. in an amount not to exceed \$216,000.</b></p> <p>C. Lotzar clarified the definition regarding the disclosure of relationship with regard to conflict of interest. One would have a conflict of interest if there is a direct or indirect proprietary ownership or pecuniary (cash payment) interest in an activity. This activity includes both personal activities as well as those of your relatives. The Statute defines a “<b>conflict</b>” as being every interest other than a “<b>remote interest</b>”. Examples of a “<b>remote interest</b>” involve the activities of a non-profit corporation as a non-salaried person. Similarly if you are involved in the activities of another governmental entity. Our prospective borrower is a non-profit corporation. It was noted for the record that Mr. Gutierrez and Mr. Carroll are not paid directly or indirectly by the non-profit, however the non-profit was formed at the direction or suggestion of the University of Arizona for which they are both either current and former employees. Ms. Robinson, who is not in attendance today, has already indicated that her relationship to the borrower is too close for her to feel that she has anything other than a conflict of interest and for that reason she has not participated directly or indirectly in the discussions or actions with respect to this agenda item.</p> <p>Ms. Robinson’s written declaration of conflict of interest has been filed in the Authority’s Minutes.</p> <p>G. Molenda reviewed the project stating that at the <b>July 12, 2007</b> Regular Meeting the Board unanimously approved a “letter of interest” and associated terms and conditions for a loan in the form of a line of credit amount of <b>\$216,000</b>. G. Molenda and K. Valdez subsequently met with representatives of the DDBC to discuss certain concerns of the Borrowers and clarify the Authority’s requirements. This meeting was also attended by C. Carroll and J. Gutierrez. The project consists of building <b>2</b> homes located in the Barrio San Antonio and will be for sale to households with annual incomes below <b>80%</b> of area median income. During the course of the meeting Borrower explained that the conditional zoning process required that certain infrastructure improvement must be completed before the lots could be formally platted. It was also noted that the Borrower had a Phase II Environment Site testing and clean-up related to oil that was spilled onto the property similar to changing oil on a car which was cleaned up by a licensed contractor. The closure letter is pending on this issue. Due to timing constraints with the beginning of the Fall UA semester, Borrower request that the Authority advance funds for new house construction under the proposed line of credit before the lots are platted. Mr. Molenda explained that this request materially increases the risk to the Authority in that the homes under construction cannot be sold until the infrastructure is complete and the platting process is complete. The source of funds to complete the infrastructure, the improvement plans etc are all funded by grants also not under control of the Authority. Ron Koenig, City of Tucson Administrator, confirmed that the City of Tucson will not record restrictive covenants that would negatively impact the Authority’s ability to sell that land and/or houses at market value. BDFC recommendations are as follows:</p> <ol style="list-style-type: none"> <li>1. BDFC’s due diligence suggests that on-site supervision provided by the Borrower’s “<b>partners</b>” on previous projects, added value and helped manage risk and control budget and schedule. BDFC recommendation is to request the Borrower obtain additional construction supervision at the superintendent level due to the requirement to construct both homes at the same time. This was a requirement of the original terms and conditions, however Borrowers feel this is unnecessary. BDFC recommends no change to this loan requirement.</li> <li>2. BDFC recommends that the Authority maintain its requirement that disbursement of funds is subject to receipt of an acceptable appraisal on an “<b>as</b></li> </ol>	<p>A <b>MOTION</b> was made and seconded (C. Carroll / S. Trejo) to approve loan request with BDFC recommendations with the exception of <b>item No. 1</b>, for an amount not to exceed <b>\$216,000</b>. <b>Approved 3-1 (J. Gutierrez, C. Carroll and S. Trejo) and 1 No (M.L. Mobray).</b></p>

<p><b>completed”</b> basis.</p> <ol style="list-style-type: none"> <li>3. Staff recommends an initial advance not to exceed <b>\$25,000</b> with balance of disbursements to occur per the draw schedule described in the Authority’s Letter of Interest.</li> <li>4. BDFC recommends that Tucson IDA take an assignment of all plans and specifications (architectural for the houses and all improvement plans), contracts for offsite improvements, and subcontracts for house construction as a condition of loan approval.</li> </ol> <p>C. Lotzar noted that he was not involved in the analysis of this project nor will he be involved in the documentation.</p> <p>Corky Poster, Architect and representative of DDBC, was introduced and gave a brief presentation noting the project is a result of taking a lesson from the Civano project and applying it to downtown locations as a model program. It was noted that the record of survey had been submitted, corrected and re-submitted this morning. Approval is anticipated from the City of Tucson in the next <b>2</b> weeks. It was noted that the homes will be built by <b>24</b> students over the next <b>2</b> semesters. Mr. Poster ensured the Authority that they have the required expertise for the project and do not need to hire a construction supervisor.</p> <p>Discussion ensued and M.L. Mobray expressed concerns that the Authority should not be in the “<b>construction</b>” lending business as it requires intensive monitoring practices that is open to liability if not performed correctly.</p> <p>It was the consensus of the Authority to approve the loan request pursuant to BDFC recommendations with the exception of item <b>No. 1</b>. This project will be held in a controlled escrow with cost to be borne by the Borrowers.</p>	
<p><b>VI. Request for resolution to approve a loan request from Morning Star Missionary Baptist Church in an amount not to exceed \$75,000 in participation with Business Development Finance Corporation, pursuant to a Participation Agreement.</b></p> <p>G. Molenda reviewed the Lender Credit Memo with the Authority noting that the Authority currently has an outstanding loan with Morning Star Missionary Baptist Church (“<b>Morning Star</b>”) which has a balance due of <b>\$1,347</b>. Morning Star has returned with a request of <b>\$75,000</b> for building renovations. The proposed project includes <b>\$25,000</b> for kitchen remodel including purchase of new stove and refrigerator plus replacing/upgrading current kitchen cabinets. The remaining <b>\$50,000</b> is for the expansion of <b>2</b> offices that will serve as a conference room center, Sunday school and meeting rooms. Terms of the loan is <b>6%</b> fixed interest rate, fully amortized over <b>20</b> years with a <b>7</b> year term with monthly payments of <b>\$537.32</b>. The first year payments will be interest only of <b>\$4,500</b> per year or <b>\$375</b> per month. The public purpose, as defined by the Authority’s Mission Statement/Goals is Community Development: “..to promote and assist projects designed to enhance, revitalize and rehabilitate the culture, social, economic, historical and historical resources of the downtown, lower income neighborhoods, infill projects and the broader Tucson community.” Economic Development: “Assist a <b>501 (c)(3)</b> non-profit organization that provides services to minority and low income households”. This loan has been approved by Business Development Finance Corporation pursuant to a Participation Agreement subject to the Authority’s decision.</p> <p>C. Lotzar noted that he was not involved in the analysis of this project nor will he be involved in the documentation. Additionally, issues related to Church and State do not appear to apply.</p> <p>Discussion ensued and it was the consensus of the Authority to provide “<b>purchase</b></p>	<p>A <b>MOTION</b> was made and seconded (M.L. Mobray / B. Buehler-Garcia) to approve a loan to Morning Star Missionary Baptist Church in an amount not to exceed <b>\$75,000</b> in participation with Business Development Finance Corporation pursuant to a Participation Agreement. The Authority’s portion to be <b>\$37,500.00</b>. <b>Approved 5-0.</b></p>

<p><b>money”</b> loan to Morning Star pursuant to the existing Participation Agreement. The Authority’s portion of the loan is <b>\$37,500.00</b></p>	
<p><b>VII. 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.</b> K. Valdez presented check detail for items to be paid on the Authority’s behalf through the month of <b>July 31, 2007</b>.</p>	<p>A <b>MOTION</b> was made and seconded (M.L. Mobray / S. Trejo) to approve items to be paid through <b>July 31, 2007. Approved 4-0.</b></p>
<p><b>VIII. Status report by the Authority’s Advisor regarding the Authority’s financial Performance through its fiscal year-end, June 30, 2007, including a comparison of budgeted to actual results, and request for resolution establishing the Authority’s budgets for (a) general activities and (b) housing activities.</b> C. Lotzar reported that the budget format provided is a work in progress. Within the next 2 months, a re-stated budget will be presented. Discussion ensued regarding Block 175 Partnership and the Torreon Partnership. The Budget reflects what is set forth in the partnership agreement and the audited financials. The Authority directed C. Lotzar to provide a proposal for steps required to proceed with regard to the Partnership agreements and actions to be taken.</p>	
<p><b>IX. Discussion and request for resolution regarding the election of the Authority’s executive officers for the fiscal year running from July 1, 2007 until June 30, 2008 to re-elect or replace the following slate of current officers:</b></p>	<p><b>TABLE</b></p>
<p><b>X. Disclosure of relationship by Mr. Carroll and request for resolution authorizing the Authority to take action in connection with 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.</b></p>	<p><b>TABLE</b></p>
<p><b>XI. Disclosure of relationship by Mr. Carroll and 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.</b></p>	<p><b>TABLE</b></p>
<p><b>XII. Staff Reports:</b></p> <ul style="list-style-type: none"> <li>• <b>Outstanding Single Family Programs</b> – MCC program is performing beyond what was projected. MRB program continues to originate at approximately <b>\$5,000,000</b> per week.</li> <li>• <b>Dark Mountain Development Corporation</b> – No Report</li> <li>• <b>Federal Legislation</b> – A. Morales has drafted legislation that will be circulated for consideration at next month’s meeting.</li> <li>• <b>Rio Nuevo District</b> - No Report</li> <li>• <b>Warehouse District</b> – No Report</li> </ul>	

<ul style="list-style-type: none"> <li>• <b>CREBS</b> – No action by the City of Tucson, Arizona, at this point.</li> </ul>	
<p><b>XIII. President’s Report</b></p> <ul style="list-style-type: none"> <li>• <b>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.</b></li> </ul> <p>No report.</p>	
<p><b>XIV. Call to the Audience</b></p> <p>There was no one in the audience who wished to address the Authority.</p>	
<p><b>XV. Adjourn</b></p>	<p>There being no further business, the meeting was adjourned at <b>5:45 p.m.</b></p>

**Submitted by:**

**Approved by:**

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**Karen J. Valdez**  
**Business Development Finance Corp.**

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