

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON, ARIZONA

**Minutes of the Special Meeting
of the Board of Directors**

September 17, 2015

3:00 P.M.

at the

Ward VI Council Offices - East Conference Room

3202 East First Street

Tucson, Arizona 85719

Present:

Board Members	Marilyn Robinson Gary Bachman Emily Nottingham Judy Clinco Evelia Martinez Larry Lucero Adam Weinstein (left at 3:50 pm)
Staff	Charles Lotzar, Lotzar Law Firm, PC Gary Molenda, Business Development Finance Corporation (left at 3:50 pm) Karen Valdez, Business Development Finance Corporation
Guests	Thaddeus Pace, El Presidio Neighborhood Association Nick Ross, City of Tucson

The Special Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **September 17, 2015**, at the Ward VI Council Office - West Conference Room, 3202 E. First Street, Tucson, Arizona. All Authority’s Board Members and the general public were duly notified of the meeting. C. Lotzar had informed the Authority’s Board of Directors 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
1. Call to Order The meeting was called to order by Marilyn Robinson, with a quorum present.	The meeting was called to order at 3:00 p.m.
2. Request for resolution to approve the minutes of the Special Meeting of August 20, 2015.	A MOTION was made and seconded (G. Bachman / J. Clinco) to approve the meeting minutes of the August 20, 2015 Special Meeting as presented. Approved 7-0.
3. 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.	A MOTION was made and seconded (E. Martinez / E. Nottingham) to approve payment of invoices and notification of items to be paid as presented. Approved 7-0.
4. Status report from the Liaison to City of Tucson, Arizona City Manager’s Office related to: N. Ross provided updates on the following:	No action taken.

<p>a) The City’s Economic Development Prospect list</p> <ul style="list-style-type: none"> • Stone Avenue Homes – The project is 25 - 3 story apartment row style homes. The project is applying for Government Property Lease Excise Tax (“GPLET”). The City of Tucson, Arizona (“COT”) received the independent economic analysis; the Mayor & Council (“M&C”) approved the analysis; and the final lease agreement remains to be approved by the M&C. • 1 West Broadway - This is a \$13,000,000 project with 40 market rate apartment units, mixed use (retail), and structured parking. The project is applying for GPLET. The COT received the independent economic analysis; the M&C approved analysis; and the final lease agreement remains to be approved by the M&C. • River Park Inn - \$2,200,000 project and includes refurbishment of existing hotel and expanded booth rentals for the annual Gem Show. The project is applying for GPLET. M&C approved pursuit of economic analysis. • 2 GPLET applicants in the pipeline: 1) Brother Johns Restaurant (old Wildcat House), and 2) Printing Business looking to locate at the NWC of Stone and 5th Street. <p>b) The City’s use of the Tucson Community Development Loan Fund aka the HUD Section 108 Loan Program</p> <ul style="list-style-type: none"> • 2 projects have withdrawn from the program. <p>c) The City’s use of HOME Funds</p> <ul style="list-style-type: none"> • 1 rental development project underway and near completion (La Frontera Rally Point Project). • 2 projects under contract, effective September 1, 2015. • 2 additional rental developments projects (7th Avenue Commons and Esperanza En Escalante Rental Development), not yet in contracting phase, however, the funding has been promised and environmental review has begun. • Distributed and reviewed fiscal year snapshot of HOME Fund Program performance. <p>d) The City’s use of its 21 Economic Development tools - Currently updating the comprehensive economic development strategy (requires annual updates).</p> <p>e) Current items of interest</p>	
<p>5. Status Report related to \$40,000,000 The Industrial Development Authority of The County of Pima and The Industrial Development Authority of the City of Tucson, Arizona Revolving Taxable Single Family Mortgage Loan Program of 2012 (Pima/Tucson Homebuyer’s Solution) and request for resolution related to any actions related thereto.</p> <p>C. Lotzar reported that the Pima Tucson Homebuyer’s Solution (“PTHS”) program has been so successful that due to increased volume, US bank has had to increase their time frame for processing pools of mortgage-backed securities and thereby increasing the time for which reimbursements are received by Community Investment Corporation (“CIC”)</p>	<p>No action taken.</p>

<p>as fiscal agent. Mr. Lotzar stated that due to this lag time, CIC was uncertain as to whether reimbursement from US Bank would be received in time to continue funding the down payment assistance. However, reimbursements were received and the PTHS program continues without issue.</p> <p>C. Lotzar provided status pertaining to the recent audit by HUD’s Office of Inspector General (“OIG”) stating that a memorandum from the Principal Deputy Assistant Secretary of HUD concludes that the PTHS program is valid. In a very unusual move, HUD’s General Counsel also provided a separate finding stating the PTHS program is valid.</p> <p>Mr. Lotzar also reviewed a notice from Moody’s stating that the programs similar to the PTHS are doing well in terms of delinquencies.</p> <p>Discussion ensued regarding the disclosure form signed by borrowers, describing the increase in interest amounts, and changing the timing of when the form is signed to be at loan application rather than at close of escrow. Mr. Lotzar stated that formalizing this change is in process. Status of this change will be confirmed at the next Regular Meeting.</p> <p>Mr. Lotzar reviewed the Program Summary noting that the loan count is 1,818 since inception through August 31, 2015 with a total loan dollar amount of \$227,850,549; for the month of August 2015, total loan count is 111 and total loan dollar amount is \$15,109,737.</p>	
<p>6. Status report related to the affairs of Dark Mountain Development Corporation and request for resolution related to any actions related thereto.</p> <p>Pursuant to the presentation provided by N. Ewing-Gavin, Director of the City of Tucson Office of Integrated Planning (“OIP”) at the Authority’s Special Meeting held August 20, 2015, with regard to disposition of City property, Mr. Bachman stated that this may be an activity for Dark Mountain Development Corporation (“Dark Mountain”).</p> <p>Questions to consider:</p> <ul style="list-style-type: none"> • Role of Dark Mountain? • Does this bring value to the Authority? <p>It was the consensus of the Authority to schedule a meeting with OIP to explore the details and to see if there is a role for Dark Mountain.</p>	No action taken.
<p>7. Staff Reports:</p> <p>Monthly Staff Report for the month ending August 31, 2015.</p> <p>K. Valdez provided status on the following:</p> <p style="padding-left: 40px;">a. General Operations of the Authority:</p> <p style="padding-left: 80px;">i. Parking Lot Financial Statements prepared by Pueblo Parking Systems, LLC (“PPS”) - Reports reviewed as prepared and submitted by PPS.</p> <p style="padding-left: 80px;">ii. Bond Borrower’s payment of Administrative Fees - Current on all matters; provided, however, research is required on the Miraflores and Catalunya projects.</p> <p style="padding-left: 80px;">iii. Cash Management - Reviewed interest bearing and non-interest bearing accounts; reviewed account balances less existing commitments and recommended reserves for an estimate of funds available.</p>	No action taken.

- iv. **Loan Servicing** - All compliance items received from AZMAC.
- v. **Loan Origination** - No new loan requests. Lending activity for the last 3 fiscal years is +/- \$522,000. 2 loans remain in pending status.
- vi. **450 N. Main Street** - No activity.

b. Updates:

- i. **Federal legislation**
- ii. **Arizona legislation**

c. Outstanding Single Family Programs:

i. Mortgage Revenue Programs that have completed the Origination Period:

C. Lotzar reported that upon having routine quarterly conversations with Bank of America, servicing of the 2nd mortgage loans have improved.

With regard to the 2 settlement offers received, neither 1 offered any money to opt into the class action therefore no action was required to be taken by the Authority; in part because The Industrial Development Authority of the County of Pima was unwilling to opt in.

A. Series 2006 (Joint) - \$30,475,000- 1st Mortgage Loan Interest Rate 5.97% - Final Redemption of Senior Bonds July 28, 2014 - CUSIP No. 89873QAB5 Subordinate (approximately \$196,000 - 7% 2nd Mortgage Loans are tied to the Subordinate Bonds of approximately \$820,000) .

B. Series 2007A (Joint) - \$23,400,000- 1st Mortgage Loan Interest Rate 5.69% - Final Redemption of Senior Bonds July 28, 2014 CUSIP No. 89873QAE9 Subordinate (approximately \$192,000 - 7% 2nd Mortgage Loans are tied to Subordinate Bonds of approximately \$135,000).

C. Series 2008 (Joint) - \$30,000,000- Mortgage Loan Interest Rate 5.89% - Term Bonds CUSIP Nos. 898700FH7, 898700FJ3, 898700FK0 and PAC Bonds CUSIP No. 898700FL8 (approximately \$7,565,000 outstanding).

D. Restructuring Opportunities and past results.

ii. Mortgage Credit Certificate Program that is in the Origination Period – 2014 in the amount of \$5,000,000 formed on January 2, 2014 - Origination Period expired December 31, 2016.

K. Valdez reviewed the 2014 MCC Summary Report noting 24 MCCs issued to date, with 4 MCCs pending.

<p>iii. \$40,000,000 The Industrial Development Authority of The County of Pima and The Industrial Development Authority of The City of Tucson, Arizona Revolving Taxable Single Family Mortgage Loan Program of 2012 (Pima Tucson Homebuyers Solution) – Program commenced on December 17, 2012 and unless extended expires on December 31, 2016 - over \$140,278,000 in mortgage-backed securities sold with over \$5,611,000 of down payment assistance granted to homebuyers.</p>	
<p>8. Status Report related to development of the Request for Qualifications/Request for Proposal (“RFQ/RFP”) or other process related to the potential development of Block 174 and/or Block 175 and request for resolution for any actions related thereto. Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(3) and/or (4), the Board may vote to recess and meet in executive session for the purpose of discussion or consultation with and to provide direction to the Board’s legal counsel in connection with this item. Any action taken by the Board regarding this matter will be taken in open meeting session (either at this meeting or at a later date) after the adjournment of the executive session.</p> <p>C. Lotzar stated that Adam Weinstein has declared a conflict and is recusing himself from discussions related to the development of the Block 175 RFQ/RFP or any other process related to the potential development of Block 175 and / or Block 174 and to avoid the appearance of impropriety is leaving the meeting at 3:50 p.m.</p> <p>C. Lotzar stated that Gary Molenda, having been identified as having a working relationship with at least one party of one of the Proposers, is declaring a conflict and to avoid the appearance of impropriety is leaving the meeting at 3:50 p.m.</p>	<p>A MOTION was made and seconded (J. Clinco / L. Lucero) to adjourn the Regular Session at 3:54 p.m. Approved 6-0.</p> <p>A MOTION was made and seconded (G. Bachman / E. Martinez) to open Executive Session at 3:54 p.m.</p> <p>A MOTION was made and seconded (G. Bachman / J. Clinco) to reconvene the Regular Session at 5:00 p.m. Approved 6-0.</p> <p>A MOTION was made and seconded (E. Nottingham / E. Martinez) that based on the evaluation, ranking, and recommendation of the Block 175 Evaluation Committee, the Authority proceed to Phase II and invite the El Presidio 175 team to participate in Phase II of the Block 175 RFP Process. Approved 6-0.</p>
<p>9. President’s Report: 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> <p>M. Robinson reported the following:</p> <ul style="list-style-type: none"> • Mr. Lotzar received a call from The Industrial Development Authority of the City of Phoenix, Arizona (the “Phoenix IDA”) who is supporting a charity to build a memorial for Arizona fallen firefighters and police officers. The Phoenix IDA has contributed \$25,000 to this project and is requesting a match from the Authority. Because the sponsorship request is not in line with the Authority’s business mission and goals, nor is it in the Authority’s history to make gifts, it was the consensus of the Authority to politely decline. C. Lotzar will contact the Phoenix IDA to let them know. • The CDFA Arizona Financing Roundtable, hosted by the Phoenix IDA, will be held November 17, 2015 at the Phoenix Convention Center. Registration fee is \$125 per person. Sponsorships start at \$750. At the August 20, 2015 Special Meeting, the Authority approved registrations for up to 5 Board members. • At the August 20, 2015 Special Meeting, 4 Advisory Committees were established to work on the 9 Goals identified. Each of the Committees is to 	<p>No action taken.</p>

<p>contact K. Valdez to schedule regular meetings of each of those groups.</p> <ol style="list-style-type: none"> 1. Affordable Housing Committee: E. Martinez, J. Clinco, and E. Nottingham. 2. Economic Development Committee: A. Weinstein, L. Lucero, and E. Nottingham. 3. Downtown Neighborhood & Community Development Committee: A. Weinstein, L. Lucero, and G. Bachman. 4. Investment & Loan Review Committee: E. Martinez, G. Bachman, and J. Clinco <p>K. Valdez will need to post agenda's for each advisory committee meeting at least 1 week prior to the meeting date. Meeting minutes will need to be provided to K. Valdez for posting after each advisory committee meeting is held.</p> <ul style="list-style-type: none"> • 2 Grand Re-Opening Celebrations will be held for Catalunya and Miraflores - Catalunya Apartments - Tuesday, September 29, 2015 - 4:00 pm to 7:00 pm Miraflores Apartments - Wednesday, September 30, 2015 - 4:00 pm to 7:00 pm 	
<p>10. Call to the audience</p> <p>There was no one in the audience who wished to address the Authority.</p>	<p>No action taken.</p>
<p>11. Adjourn</p>	<p>A MOTION was made and seconded (L. Lucero / G. Bachman) to adjourn the meeting at 5:04 p.m. Approved 6-0.</p>

Submitted by:

Approved by:

Karen J. Valdez
Business Development Finance Corporation

Marilyn Robinson, President
The Industrial Development Authority of the
City of Tucson, Arizona