

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON, ARIZONA**

**Minutes of the  
Regular Meeting  
of the Board of Directors**

Thursday, March 21, 2019  
2:30 p.m.

at the  
Tucson Metropolitan Chamber of Commerce  
465 W. Saint Mary’s Road  
Tucson, Arizona 85701

- Present: Board Members**      Neal Eckel  
    Meredith Aronson  
    Judy Clinco  
    Sandra Barton  
    Mimi Noshay - Petro
- Advisors**                             Charles Lotzar, Lotzar Law Firm, PC  
    Karen Valdez, BDFC Advisor Services, LLC  
    Gary Molenda, BDFC Advisor Services, LLC (arrived 2:42 p.m.)
- Absent**                                 Larry Lucero  
    Patricia Schwabe
- Guests**                                Scott Riffle, George K. Baum & Company, Inc.  
    Mike Czechowski, City of Tucson  
    Crystal Dillahunty, City of Tucson Ward 6 Council Office

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **March 21, 2019**, at the Tucson Metropolitan Chamber of Commerce, 465 W. Saint Mary’s Road, Tucson, Arizona 85701. 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.

<b>ITEM</b>	<b>ACTION TAKEN/TO BE TAKEN</b>
<p><b>1. Call to Order</b>                      The meeting was called to order by Neal Eckel, Secretary/Treasurer, with a quorum present.</p> <p>C. Lotzar stated that as this is Mimi Noshay - Petro’s first official meeting, she is not required to vote on any items until she is comfortable.</p>	<p>The meeting was called to order at <b>2:32 p.m.</b></p>
<p><b>2. Request for resolution to approve the minutes of the Regular Meeting of February 21, 2019.</b></p>	<p>A <b>MOTION</b> was made and seconded (S. Barton / J. Clinco) to approve the Minutes of the <b>February 21, 2019</b> Regular Meeting as presented.  <b>Approved 4-0.</b></p> <p>Ms. Noshay – Petro abstained from voting.</p>

<p><b>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.</b></p>	<p>A <b>MOTION</b> was made and seconded (S. Barton / M. Aronson) to approve payment of invoices, as presented. <b>Approved 4-0</b></p> <p>Ms. Noshay – Petro abstained from voting.</p>
<p><b>4. Disclosure of relationship by BDFC Advisor Services, LLC, status report related to \$17,400,000 The Industrial Development Authority of the City of Tucson, Arizona Lease Revenue Bonds (University of Arizona / Marshall Foundation Project) Tax-Exempt Series 2002A and Taxable Series 2002B, and request for resolution to grant Preliminary Approval to the issuance of The Industrial Development Authority of the City of Tucson, Arizona Lease Refunding Revenue Bonds (University of Arizona / Marshall Foundation Project) in one or more tax-exempt and /or taxable series.</b></p> <p>Mr. Lotzar stated that Gary Molenda is not present however has been in involved in the prior transaction and has declared a conflict.</p> <p>C. Lotzar presented information regarding the University of Arizona Marshall Foundation Project (“<b>Marshall Foundation</b>”) noting that the Authority reviewed and approved temporary easement at the <b>January 17, 2019</b> Regular Meeting.</p> <p>Mr. Lotzar stated that the original transaction had bond insurance; which at the time had more financial strength than it does today. The Marshall Foundation has an opportunity to do a high to low interest rate refunding and possibly change the nature of the structure of the transaction. In a bond enhanced transaction, the credit enhancer has a substantial amount of control over the borrower’s activities.</p> <p>At the time of preliminary approval to a transaction, there is a customary form of resolution that is used. This is an <b>IRC Section 501(c)(3)</b> transaction, therefore it does not need an allocation of Private Activity Bonding (“<b>PAB</b>”) authority. Customarily, when considering Preliminary Approval, the Authority reviews the transaction to determine if the Project provides a valid public purpose and if so, the transaction is approved to move forward, indicating that this is a worthwhile purpose that the Authority would like to pursue.</p> <p>For federal income tax purposes, the inducement resolution for a nonprofit transaction is done at the nonprofit level for reimbursement of expenditures from bond proceeds. If this were a for profit transaction, then this would be the inducement resolution.</p> <p>This is a transaction that is simply a refunding of a prior bond issue that has been successful at repaying, with the ambition of reducing their interest rate. The Marshall Foundation does not have an ambition to extend the term of the Bonds.</p> <p>Mr. Lotzar recommends this transaction and its documentation in keeping with the Authority’s past practices.</p>	<p>A <b>MOTION</b> was made and seconded (S. Barton / M. Aronson) to approve Resolution granting Preliminary Approval to the issuance of The Industrial Development Authority of the City of Tucson, Arizona Lease Refunding Revenue Bonds (University of Arizona / Marshall Foundation Project) as presented. <b>Approved 4-0.</b></p> <p>Ms. Noshay – Petro abstained from voting.</p>
<p><b>5. Status report from the Liaison to City of Tucson, Arizona City Manager’s Office related to:</b></p> <p>M. Czechowski provided status on the following:</p> <ul style="list-style-type: none"> <li><b>a. The City’s Economic Development Prospect list.</b></li> <li><b>b. The City’s use of Economic Development tools.</b> <ul style="list-style-type: none"> <li>• Met with JE Dunn, Developers for <b>75</b> East Broadway (County owned property just north of the Chicago Store, between Scott and 6<sup>th</sup> Avenues) to discuss potential incentives (i.e. County zoning with City manipulated infill incentives</li> </ul> </li> </ul>	<p>No action taken.</p>

<p>plus Rio Nuevo incentives). The development will be approximately <b>12</b> floors of office, retail, and garage space. Rio Nuevo, Pima County, and the City of Tucson are all partners in this development. Construction start is anticipated in approximately <b>6</b> months pending archeology review.</p> <p><b>c. Opportunity Zones.</b></p> <ul style="list-style-type: none"> <li>• <b>1</b> potential investor inquiry initially looking for an <b>IRC Section 1031</b> exchange and the investor is working with local accountants and tax attorneys.</li> </ul> <p><b>e. Current items of interest.</b></p> <ul style="list-style-type: none"> <li>• Barbra Coffee, Economic Initiative’s Director, started work on <b>February 25, 2019</b> and will present to Mayor &amp; Council (“<b>M&amp;C</b>”) at the <b>April 2019</b> Mayor &amp; Council meeting.</li> <li>• Ms. Coffee is interested in presenting to the Authority at the next Regular Meeting on <b>April 18, 2019</b>.</li> <li>• Updating Incentive Packages: <b>1</b> thing requested by M&amp;C is to tie incentives to corridors similar to and actually mirroring what the City’s Development Services Department (“<b>Development Services</b>”) has been doing.</li> </ul> <p>Development Services received M&amp;C approval to start the overlay district for the Broadway corridor, known as the “<b>Sunshine Mile</b>”, in partnership with Rio Nuevo. The overlays will provide regulatory relief, freeing up zoning that may not be the best use or appropriate on identified corridors.</p>	
<p><b>6. President’s Report: 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></p> <p>N. Eckel provided updates on the following:</p> <ul style="list-style-type: none"> <li><b>a. Pima County Community Land Trust fundraising dinner to be held Thursday, April 4, 2019 at the Site 17 Event Center – 840 E. 17<sup>th</sup> Street, Tucson, Arizona</b></li> <li><b>b. Catalina Village Grand Re-Opening to be held Wednesday, March 27, 2019 at 5324 E. 1<sup>st</sup> Street, Tucson, Arizona – 11:00 am to 3:00 pm with short ceremony at 1:30 pm</b></li> <li><b>c. Discussion regarding a reception for outgoing President, Gary Bachman – to be held on Thursday, April 18<sup>th</sup> following the Regular Meeting.</b></li> </ul> <p>M. Aronson stated that there is an ongoing interest on her part to create a more strategic context for expanding the Authority’s movement of capital at the highest of levels.</p> <p>Ms. Aronson stated that she was introduced to Iris Patton who was initially on the faculty at the University of Arizona and then started a consulting organization a number of years ago rooted in Geographic Information System (“<b>GIS</b>”) methodologies and has largely begun to do more of the strategic work using community data to actually target strategic opportunities for collaborative investment for community development.</p> <p>M. Aronson, L. Lucero and Ms. Patton talked about what more can be done strategically as an Industrial Development Authority and what mechanisms to deliver focus to that conversation.</p> <p>Ms. Patton has been working with a collaboratively Social Venture Partners and Arizona Complete Health for several months to sort of identify areas of potential higher impact in</p>	<p>No action taken.</p>

<p>the community where there are enough variables that could come together to work.</p> <p>Ms. Patton is currently seeking a financial partner for investment.</p> <p>Ms. Aronson asked, could the Authority begin to do more intentional investment in the community and begin to move more capital?</p> <p>Ms. Aronson believes there is an opportunity to collaborate across these players. Ms. Aronson said:</p> <ul style="list-style-type: none"> <li>• Ms. Patton has a current contract with Urban League which is focused specifically on social potential / social impact.</li> <li>• She’s thinking about economic development and using this Imagine Greater Tucson’s prior work to identifying nodes around the City that have a high opportunity for achieving higher internal social economics. Effectively, using data to determine the fruitful areas of focus for potential collaboration.</li> <li>• The Authority needs to start to identify social service and corporate development partners who could carry out the work on the ground.</li> <li>• Unfortunately, Ms. Patton is moving to Florida to take a position at the University of Florida. Her consultant work will continue.</li> <li>• She believes Ms. Patton is one of the few people who has a broad sense of this strategic space.</li> <li>• She thinks there is an opportunity for Ms. Patton to potentially help the Authority do some more progressive thinking about strategic opportunity. Ms. Patton could facilitate a strategy session to help the Authority get much more focused about where the Authority is making an investment.</li> </ul> <p>J. Clinco felt the Authority should invite Ms. Patton to an upcoming meeting.</p>	
<p><b>7. Status report related to sponsorship request received for the National Association for County Community and Economic Development (“NACCED”) conference to be held in Tucson, Arizona October 2019 and request for resolution related thereto.</b></p> <p>N. Eckel presented the request for sponsorship received from National Association for County Community and Economic Development (“NACCED”). NACCED is an <b>IRC Section 501(c) (3)</b> nonprofit organization composed of county government agencies that administer affordable housing, community and economic development programs.</p> <p>It was noted that Gary Bachman is a past President of NACCED. The <b>2019</b> conference, hosted by Pima County, will be held in Tucson <b>October 13, 2019 to October 16, 2019</b> at the Tucson Marriott University Park.</p>	<p>A <b>MOTION</b> was made and seconded (S. Barton / J. Clinco) to approve “Refreshment Break” Sponsorship for the <b>2019 NACCED Conference</b> in the amount of <b>\$1,500</b>. <b>Approved 4-0.</b></p> <p>Ms. Noshay – Petro abstained from voting.</p>
<p><b>8. Request for resolution approving the Authority’s audited financial statements for the fiscal year ended June 30, 2018 as prepared by the Authority’s Auditor roberts alexonis group.</b></p> <p>K. Valdez presented the Authority’s audited financial statements for the fiscal year ended <b>June 30, 2018</b> noting the following:</p> <ul style="list-style-type: none"> <li>• Net position increased <b>5.4%</b> from the prior year from <b>\$9,620,164</b> to <b>\$10,138,902</b></li> <li>• Operating Revenue decreased during <b>2018</b> due to a decrease in volume of the Pima Tucson Homebuyer’s Solution Program as a result of the change in the form of the down payment assistance from a grant to a forgivable second</li> </ul>	<p>A <b>MOTION</b> was made and seconded (J. Clinco / S. Barton) to approve the Audited Financial Statements for the fiscal year ended <b>June 30, 2018</b> as prepared, and submitted, by the Authority’s Auditor roberts alexonis group. <b>Approved 4-0.</b></p> <p>Ms. Noshay – Petro abstained from voting.</p>

<p>mortgage lien.</p> <ul style="list-style-type: none"> <li>• Non-operating Expense remained consistent between <b>FY18</b> and <b>FY17</b></li> <li>• Non-operating Revenue increased during <b>2018</b> with increased revenue earned from Block <b>175</b> and Stone Council parking lots due to increased traffic downtown</li> <li>• <b>FY18</b> net assets increased with an increase in advances on notes receivable</li> </ul> <p>C. Lotzar noted that the financial statements are understated as the current value of the single-family mortgage revenue bond programs is not included.</p>	
<p><b>9. Status Report related to 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”) the “Pathway to Purchase Program” within the Pima/Tucson Homebuyers Solution Program and request for resolution related to proposed improvements or modifications to the Program including additional marketing efforts.</b></p> <p>C. Lotzar reported that he and Mr. Slania, on behalf of the Pima IDA, met with the US Bank representative in charge of the HFA Program nationwide to discuss:</p> <ul style="list-style-type: none"> <li>• The Authority’s partnership with US Bank over many years.</li> <li>• Servicing Release Price (“<b>SRP</b>”) Grid Slot <b>1</b> pricing – establishing the program’s servicing release fee US Bank will pay per loan type.</li> <li>• Spread to market.</li> <li>• Converting the down payment assistance, on VA loans only, back to a grant from the current <b>2<sup>nd</sup></b> mortgage lien</li> </ul> <p>Mr. Lotzar stated that US Bank has experienced instability recently with other Arizona Industrial Development Authority’s moving away from US Bank.</p> <p>S. Riffle stated that US Bank is important for the Authority’s Housing Finance Agency (“<b>HFA</b>”) programs and reiterated the importance of relationship noting that it is good to remind them of the amount of affordable loans that have been issued through the PTHS program.</p> <p>C. Lotzar stated that the relationship involved predates US Bank to the Leader Mortgage days and therefore the Authority and the Pima IDA should not have price difference from the Arizona IDA.</p> <p>Mr. Lotzar reported that US Bank will hold the <b>2019</b> HFA Symposium this summer in Minneapolis, Minnesota. Mr. Lotzar said it would be appropriate for K. Valdez to attend.</p> <p>Mr. Lotzar stated US Bank agreed to the change with VA loans’ down payment assistance from a forgivable <b>2<sup>nd</sup></b> mortgage lien to an outright grant. Mr. Lotzar suggested that a marketing campaign would be appropriate.</p> <p>K. Valdez noted that the Pima IDA has authorized an additional <b>\$5,000</b> toward a joint marketing campaign and requested that the Authority authorize a like amount.</p> <p>It was the consensus of the Authority to approve an additional <b>\$5,000</b> for the Pima Tucson Homebuyer’s Solution Program joint marketing budget.</p>	<p>A <b>MOTION</b> was made and seconded (M. Aronson / S. Barton) to approve an additional <b>\$5,000</b> to the PTHS Joint (Tucson/Pima IDA) Marketing Budget, to market the PTHS VA Loans. <b>Approved 4-0.</b></p> <p>Ms. Noshay – Petro abstained from voting.</p>
<p><b>10. Disclosure of relationship by S. Barton, status report regarding the current investment and banking activities of the Authority and request for resolution for any actions related thereto.</b></p> <p>S. Barton declared a conflict and is recusing herself from discussion related to investment and banking activities and to avoid the appearance of impropriety physically left the meeting.</p>	<p>A <b>MOTION</b> was made and seconded (M. Aronson / J. Clinco) to move <b>\$2,000,000</b> to a CDRS account with Alliance Bank and leave the balance of funds at National Bank of Arizona. <b>Approved 3-0.</b></p>

<p>N. Eckel stated that at the last meeting the Authority discussed the issuance of a Request for Proposal (“<b>RFP</b>”) for investment and banking services.</p> <p>G. Molenda stated that what also needs to be looked at for a commercial account is the earnings credit rate or basically, analysis checking accounts which is based on activity and maintaining a certain balance.</p> <p>C. Lotzar stated that this is purely a business decision and the Authority has a lot of latitude.</p> <p>A comparison of the RFP responses including fees was reviewed and discussion ensued.</p> <p>It was the consensus of the Authority to maintain the existing banking relationship with National Bank and to move <b>\$2,000,000</b> to a <b>52-week</b> CDARS at Alliance Bank.</p>	<p>Ms. Noshay – Petro abstained from voting.</p> <p>Ms. Barton left the room and she did not participate in the discussion or the vote.</p>
<p><b>11. Status report related to existing programs, and potential activities, pursuant to the “Goals” of the Authority, and request for resolution related to any action related thereto. Staff Reports: Monthly Staff Report for the month ending February 28, 2019.</b></p> <p>The following updates were provided by C. Lotzar and K. Valdez:</p> <p><b>a. General Operations of the Authority:</b></p> <ul style="list-style-type: none"> <li><b>i. Parking Lot Financial Statements prepared by Pueblo Parking Systems, LLC (“PPS”).</b></li> <li><b>ii. Bond Borrower’s payment of Administrative Fees – current as of February 28, 2019</b></li> <li><b>iii. Cash Management –</b> Estimated funds available after existing commitments and recommended reserves is <b>\$3,757,395</b></li> <li><b>iv. Loan Servicing – 2 small loans are delinquent:</b> <ul style="list-style-type: none"> <li>• SF Loan #1C – Borrower is on a rolling <b>30</b> days past due.</li> <li>• Thunder Canyon Brewery – Borrower is <b>30</b> days past due.</li> </ul> </li> <li><b>v. Loan Origination – 3 Loans pending:</b> <ul style="list-style-type: none"> <li>• CTEC Properties, LLC (Conformatech, Inc.) - <b>\$140,000</b> approved <b>February 21, 2019</b>; funded <b>March 10, 2019</b></li> <li>• Ermanos Craft Beer Depot, LLC - <b>\$125,000</b> approved <b>February 21, 2019</b>; estimated funding <b>April, 2019</b>.</li> <li>• Tucson Museum of Art: <b>\$250,000</b> approved <b>July 19, 2018</b>; given the passage of time, this loan will need to be resubmitted for review and approval.</li> </ul> </li> <li><b>vi. 450 N. Main Street –</b> the property has <b>2</b> for sale signs on the property for the past <b>90</b> days; <b>1</b> telephone inquiry was received which turned out to be inconsequential.</li> </ul> <p><b>b. Legislation updates:</b> C. Lotzar provided updates on the following</p> <ul style="list-style-type: none"> <li><b>i. Federal legislation</b></li> <li><b>ii. Arizona legislation – SB1300</b> property tax abatement for certain apartments owned by and <b>HB2736</b> creating a state low-income housing tax credit patterned after the federal credit, but at a <b>\$10,000,000</b> level.</li> </ul> <p><b>c. Real Estate:</b></p> <ul style="list-style-type: none"> <li><b>i. Block 175</b></li> <li><b>ii. Stone &amp; Council</b></li> </ul>	<p>No action taken.</p>

**iii. 450 N. Main**

A roundtable discussion was had related to past, present and future considerations related to the 3 properties.

In connection with Block 175, Mr. Lotzar reviewed the past efforts to market Block 175, the archeology report and related issues, and the Property Summary.

Mr. Lotzar said he has recently dealt with a real estate broker that wanted to understand the archeology issues.

M. Aronson discussed the following:

- Market aside, is there something more that the Authority can do?
- What is the highest and best use of Block 175?
- Ms. Aronson feels anxious that the Authority will be in the same spot in a few years.
- Would there be benefit in a facilitated conversation with key community developers? To at least discuss the properties and discuss their insight or considerations that might help the Authority to reposition, think, and come up with some new strategies.
- Is there something the Authority can chose to do to at least better understand or move something in this space forward with some additional money?
- Ms. Aronson asked to hear from M. Czechowski

M. Czechowski stated that:

- He and Mr. Lotzar have similar thoughts on the **3** properties.
- The City has many properties for sale and is facing challenges marketing them.
- The City does not always market its properties based on the “**highest and best use.**” Sometimes the Properties are marketed with self-imposed restrictions that specify what the City would like to see developed on the property.
- He has scheduled a meeting with the City Manager, Mr. Lotzar and Mr. Lucero to discuss all options on 450 N. Main.
- The City Manager’s office is going to reach out to the Ward 1 Council Office and have a conversation.
- Mr. Czechowski has mixed feelings on the idea of having an “**open house**” for developers. The City issues RFPs all the time to developers and it ends up being the same **1** or **2** players, because those developer are willing to deal with the City. When it comes to selling property, the City has a hard time get out of its own way.

M. Aronson responded:

- Let’s have an opportunity to share with you everything the Authority knows about the **3** properties and have an open discussion.
- What more can we do to be successful in moving these

properties forward? Is there harm in that?

C. Lotzar replied:

- I do not see any harm in the Open House.
- I think that when the Authority marketed the Block 175, the Authority told the market place everything known about Block175, so as far as the information gap there is not one.
- There is a political gap. No one was willing to do the work to have any of the 3 properties rezoned.
- The real estate brokers that competed for the Block 175 listing generally thought the buyers would want to seek PAD Zoning.
- However, after **6 months** of marketing Block 175, no developer was willing to go through the rezoning process.

M. Czechowski said:

- The City is pursuing PAD zoning on the Broadway Volvo site.
- The city started the PAD process a year ago and now we're starting basically from scratch because the City has a buyer who has different design vision the PAD zoning.

M. Aronson asked if there any other opportunity for collaboration with the City?

M. Czechowski said that's something the City will have a conversation on.

C. Lotzar said:

- As a seller, if you are trying to get your price, but you know your property needs to be rezoned, then the seller has to tell the buyer that the buyer will be given the time to rezone the property.
- For the correct price and Project, the Authority is willing to be a patient seller.

M. Aronson said I would like to get underneath, get further opportunities here that we simply could understand differently if we open the conversation and ultimately might there be some flexibility for support to expedite rezoning.

M. Czechowski said there will be support from the City for a rezoning of Block 175 and expediting the work. The Authority's decision about how to reach out to developers and get their input, but if it's going to be the same players that's my only opinion on it.

C. Lotzar said in the Authority's past public process the developer proposed a beautiful mixed-use project that everyone loved and then the developer came back 1 year later with a pedestrian project.

N. Eckel: I am not sure that convening any public meeting will get us anywhere but Meredith's larger point is well taken which is:

- What can we do, if anything to push this forward?
- Can we go in and just get it rezoned ourselves without a plan in place?

C. Lotzar said yes, but the problem is that it's unlike that the

Authority's vision for the PAD will be identical to its buyer's vision.

M. Aronson said I do not do real estate, so maybe it's a very different environment. One thought might be to simply say "The Authority is interested having a conversation with developers about how better to positioning these properties in this community." It doesn't need to be a decision space. The sale of the properties has been on the table for a long time.

C. Lotzar said:

- During that time period, the Authority has made a lot of money by owning and operating parking lot and this month alone is a good example.
- Additionally, the Authority initially was going to sell Block 175 at a fraction of the price that it's currently worth (**\$7,100,000**).
- Traditionally real estate is about timing and having the right uses.

M. Petro asked "what has been the thought for 450 N. Main?" It's an oddly shaped little piece.

C. Lotzar said:

- St. Mary's road changed direction and in so doing excess right of way was gifted to the Authority from the City under the proviso that it be used for some form of affordable housing.
- The agreement with the City is not very well written and its ambiguity makes it difficult to market 450 N. Main.
- 450 North Main scores as high as you can get on a low - income housing tax credit application, but the Authority could not get any perspective developer's interest in the property because of its size and odd shape.
- The Authority commissioned a real estate appraisal to get a price and learn the current "**highest and best use**"; which was "**garden office**".
- The Authority went back to the City and asked to amend our agreement to allow the Authority to try and market the property for some period of time for affordable housing and if that is not successful then to market it for any purpose.
- The Councilperson would not weigh in to approve that, so it has been in the same spot for a while.

J. Clinco said the Authority demolished the existing building that was on the property about **6 months** ago and cleaned up the site.

C. Lotzar said that the Authority owned 450 Main for approximately **10 years**.

J. Clinco asked "what happened to Michael Keith?" He had a whole plan designed and everything.

C. Lotzar said he could not make the math work.

S. Barton said she met with La Frontera on other things for financing and she mentioned 450 N. Main, but they said it's too small.

C. Czechowski said:

- I do not know if Ron Schwabe would have conflict, but he is

doing a lot downtown.

- Tom Warne has downtown projects; and
- Don Bourne has been working downtown.
- The City can talk to these guys and say give us a postage stamped opinion on what could be done.

M. Aronson said that if there was not a public meeting the Authority might have more honest conversation. Is that something the Authority might be willing to consider? If it were a Committee and not a quorum of the Authority?

C. Lotzar said the Authority's advisory committees or subcommittees still require compliance with Open Meeting laws.

M. Czechowski said developers are going to tell you what they tell us, the issues, because all those things drive the price down for them.

S. Barton said there is home builder who is also building just south of downtown; you can check with them as well?

M. Aronson asked "do you have any idea of what we might be willing to do here?"

C. Lotzar said that

- The broker community is the community that is going to tell you a lot more than the developers, as far as what is going on with the property.
- My other understanding is that the Authority is unwilling to sell Block 175 to a parking lot operator.
- Mr. Lotzar reminded the Authority that Mr. Chapman has said Block 175 is inferior to the properties to be developed on at Broadway and Congress. And until those the other properties get absorbed, and the Authority gets clarity on its ability to change the zoning, Block 175 is not going to sell.

M. Aronson: fair enough. What if we heard back from the development community that zoning is the issue, and these are the 2 zonings that would matter for that property? Then I think we would have a conversation. Is that something we are willing to do? I feel like I might understand better. This leaves me feeling stuck and I do not want to be in that same place in a year.

M. Czechowski said that if you are going to consider rezoning, I would highly recommend hiring a professional.

N. Eckel said that might be putting the cart before the horse.

J. Clinco what was he recommending for zoned use?

C. Lotzar said PAD zoning is basically kind of conforming zoning to your intended development as opposed to trying to fit within zoning categories.

M. Aronson are we deciding on this or I think there are multiple layers of action.

S. Barton said I would rather hear from our consultant. But I would also like to know what the cost of a typical rezoning would be.

M. Czechowski said the City can defer the payment of fees until the Authority sells to a private buyer. That is something that maybe we could consider. There are some fees that we cannot be deferred. Similar to what the City is doing at Broadway Volvo, get it to a point

where you are comfortable with it and then bring the future buyer in and say “now you are going to take it from this point on” and the buyer starts to incur all the costs to get it across the finish line.

M. Aronson so it sounds like you are willing to do a little due diligence for us in conversations with the developers you have contact with. I would like to know is it like whack-a-mole, you take the zoning question off and then there are 3 other reasons why it’s irrelevant. So, I do not want to take that action without understanding what the stack that’s going to be immediately next that still doesn’t solve the problem. So, if we can have a conversation and be more thoughtful in that space, then I would feel more confident with some base to consider.

**d. Outstanding Single-Family Programs:**

- i. \$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 (the “Pima/Tucson Homebuyers Solution Program” or “PTHS Program”) - commenced on December 17, 2012 and unless extended expires on December 31, 2020 – more than \$567,346,000 in mortgage-backed securities sold with more than \$22,500,000 of down payment assistance granted to homebuyers.**

S. Riffle, George K. Baum & Company, stated that the program is doing very well. There will be a notice issued HUD / FHA in **April 2019** that addresses some of the Housing Finance Agencies (“**HFAs**”) that are crossing state boundaries.

The FHA loans originated within the Pima Tucson Homebuyers’ Solution (“**PTHS**”) Program are both FICO driven as well as debt to income (“**DTI**”) restricted and therefore high-quality loans are approved by the automated underwriting system (“**AUS**”) that Lenders use.

The investor demand for the PTHS’ mortgage - backed securities (“**MBSs**”) is extraordinarily strong.

- ii. The Industrial Development Authority of the City of Tucson, Arizona The Industrial Development Authority of the County of Pima Tucson P2P Program (the “Tucson P2P Program”) – Phase II commenced on August 1, 2018 and unless extended expires on December 31, 2020 – more than \$41,700,000 in mortgage-backed securities sold (1<sup>st</sup> sales in October 2016) with more than \$2,900,000 of down payment assistance granted to homebuyers and over \$469,000 deposited into the Tucson Rapid Rehousing Fund.**

C. Lotzar stated that the P2P Program has 2 sets of fees: the front-end fee paid to the Arizona Department of Housing (“**ADOH**”) at 125 basis points and the back-end fee that is paid to ADOH based on the profits from the hedging and sale of MBSs. Historically, at the request of ADOH, these fees were paid by hand - delivered checks. With the renewal of the program, ADOH has requested wires, with advance notice of the wire delivery.

The funds received by ADOH have been deposited the Rapid Rehousing Fund.

Mr. Lotzar said that hedging in today’s market is a function of the pre-payment protection. The investor prefers the forgivable 2<sup>nd</sup> lien over the outright grant and the investors are willing to pay more for the pool of the 3-year liens.

- iii. \$9,375,000 The Industrial Development Authority of the City of**

<p><b>Tucson, Arizona Single Family Mortgage Credit Certificate Program of 2017- January 3, 2017 – Origination Period expires December 31, 2019 more than 45 issued aggregating to over \$6,638,500.</b></p> <p><b>iv. The 7% 2<sup>nd</sup> Mortgage Loans originated in connection with:</b></p> <p><b>A. Series 2006 (Joint) - \$30,475,000 – 1<sup>st</sup> Mortgage Loan Interest Rate 5.97% - 2016 Final Redemption of all Bonds - approximately \$150,800 in 2<sup>nd</sup> Mortgage Loans are outstanding).</b></p> <p><b>B. Series 2007A (Joint) - \$23,400,000 - 1<sup>st</sup> Mortgage Loan Interest Rate 5.69% - 2016 Final Redemption of all Bonds - approximately \$182,400 in 2<sup>nd</sup> Mortgage Loans are outstanding).</b></p> <p>M. Aronson stated that she spoke to P. Schaper at WestWordVision and noted that she had a lack of clarity coming out of the last meeting.</p> <p>M. Aronson stated that the Website Committee (M. Aronson and P. Schwabe) have been unable to have a meeting to discuss the direction.</p> <p>K. Valdez stated that meeting notes were forwarded to P. Schaper to provide direction.</p> <p>It was noted that at the last meeting discussion was on calculators versus an interactive map and determined that the calculators would not provide much value for the Authority’s purposes and opted for the interactive map would be beneficial.</p> <p>Since P. Schwabe and M. Aronson were not present at the prior meeting, Ms. Aronson feels that there is a disconnect between the initial agreement to fund the website and the website’s current development. M. Aronson stated she would go back to the initial agreement to fund marketing related to targeted audiences and to try to build capacity and not just promote.</p>	
<p><b>12. Call to the Public</b></p>	
<p><b>13. Adjourn</b></p>	<p>A <b>MOTION</b> was made and seconded (J. Clinco / S. Barton) to adjourn the meeting at <b>4:35 p.m. Approved 4-0.</b></p> <p>Ms. Noshay – Petro abstained from voting.</p>

Submitted by:

Approved by:

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

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**Neal Eckel, Secretary/Treasurer**  
**The Industrial Development Authority of the**  
**City of Tucson, Arizona**