



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

LOAN REVIEW COMMITTEE

**Thursday, February 14, 2019
3:30 p.m.**

at the offices of
Business Development Finance Corporation
333 N. Wilmot Road, Suite 227
Tucson, Arizona 85711

Minutes

- Present: Board Members** Sandra Barton
 Meredith Aronson
 Judy Clinco
- Advisors** Karen Valdez, BDFC Advisor Services, LLC
 Gabriel Gomez, BDFC Advisor Services, LLC
- Absent** Patricia Schwabe
- Guests** Maura Grogan, Growth Partners Arizona

The Loan Review Committee of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on Thursday, **February 14, 2019**, at the office of Business Development Finance Corporation, 333 N. Wilmot Road, Suite 227, Tucson, AZ 85711 and via teleconference. All Authority’s Committee Members and the general public were duly notified of the meeting.

ITEM	ACTION TAKEN/TO BE TAKEN
1. Call to Order	The meeting was called to order at 3:35 p.m.
<p>2. Review and request for recommendation to the Board of Directors of the Authority concerning a loan request from Business Development Finance Corporation (“BDFC”) for a participation agreement with BDFC in an amount not to exceed \$125,000 related to BDFC’s loan to Ermanos Craft Beer & Wine Bar for its business to be operated at 220 N. 4th Ave, Tucson, Arizona.</p> <p>G. Gomez reviewed the credit memo as follows:</p> <p>Borrower: Ermanos Craft Beer Depot LLC</p> <p>BDFC Loan Total: \$250,000</p> <p>IDA Loan amount: \$125,000 IDA participation</p> <p>Perm Loan: 10 year Term - 10 year Amortization</p> <p>Rate to IDA: 7.50% (6.50% net of 100 basis point servicing fee to BDFC) fixed for 5 years</p>	Discussion held, recommendation for approval to be presented at the February 21, 2019 Regular Meeting of the Tucson IDA Board.

<p>Total Project Cost: \$250,000</p> <p>Project Address: 220 N. Fourth Ave, Tucson, AZ</p> <p>Purpose: Tenant Improvement, purchase equipment, working capital</p> <p>Basis of eligibility: Section 3(a) of Loan Policy – Economic Development Promoting downtown development Job creation: 6 FTE</p> <p>Collateral: 1st UCC purchase money security on new equipment, 3rd UCC on existing business assets.</p> <p>Ermanos is seeking financing to fund construction and renovation of an 800 square-foot cocktail lounge (hereafter “Portal”) within its existing lease space. The room in its current configuration is only used once or twice per week for parties and underutilized for revenue generation. By adding spirits to the business’s existing restaurant, craft beer and wine revenues in a thoughtfully designed cocktail lounge environment that is open for business every day, gross sales are projected to instantaneously increase by over 30% when Portal opens to the public in 2019. Ermanos applied for a Series 12 Restaurant Liquor License from the Arizona Department of Liquor Licenses and Control, and the license was approved on December 13, 2018.</p> <p>The most significant advantage of this project is that the occupancy costs of Portal are already paid for by the operation of Ermanos; this project will not result in any increase in rent, insurance, taxes, or utilities. This will have the effect of tripling current cash flow within two years. Even in the absence of this project, Ermanos’ has experienced year-over-year growth, a trend which will continue given the multi-unit residential development and increasing population density in the greater downtown Tucson area. When the impact of this project is considered, annual sales growth will reach significantly higher levels, substantially bolstering cash flow and debt service coverage.</p> <p>Currently, there are no craft cocktail bars in the historic Fourth Avenue commercial district, and Portal will be geographically well positioned to capture this unmet demand.</p> <p>Discussion ensued regarding the following:</p> <ul style="list-style-type: none"> ▪ Weighted score: 2.5 ▪ High risk in the restaurant/bar industry; mitigated by successful positive trends ▪ Marginal Collateral; mitigated – primary source of payment is satisfactory; not reliant on projections; trends are positive ▪ Strengths <p>Discussion ensued and it was the consensus of the Committee to recommend approval of this loan to the Tucson Board at the February 21, 2019 regular meeting.</p>	
<p>3. Review and request for recommendation to the Board of Directors of the Authority concerning a loan request from Business Development Finance Corporation (“BDFC”) for a participation agreement with BDFC in an amount not to exceed \$140,000 related to BDFC’s loan to Conformatech for its business to be operated at 1425 E. Apache Park Place, Tucson, Arizona.</p> <p>G. Gomez reported that this request will be taken directly to the Tucson IDA Board to be reviewed at the February 21, 2019 regular meeting.</p>	<p>No action taken.</p> <p>Request to be reviewed at the February 21, 2019 Regular Meeting of the Tucson IDA Board.</p>
<p>4. Status report and Presentation from Growth Partners Arizona (“GPA”) formerly Nonprofit Loan Fund of Tucson and Southern Arizona (“NPLF”).</p> <p>M. Grogan, Executive Director of Growth Partners Arizona (“GPAz”) formerly Nonprofit Loan Fund of Tucson and Southern Arizona (“NPLF”) reported GPAz is now a Support Organization of Business Development Finance (“BDFC”).</p>	<p>Discussion held, no action taken.</p>

<p>Ms. Grogan stated that GPAz will be launching a campaign to raise capital and noted that in 2013, the Authority was one of the first investors of the NPLF. The Authority’s loan to NPLF was paid in full in December, 2018. The goal is to raise \$5,000,000 in available capital by 2021; GPAz is currently at \$1,450,000.</p> <p>A rebranding is currently underway with regard to:</p> <ul style="list-style-type: none"> ▪ Name change ▪ New focus on low to moderate small businesses ▪ Partner with other CDFI’s to raise capital for regional economic development initiatives <p>Discussion ensued includes the following:</p> <ul style="list-style-type: none"> ▪ GPAz focus will be on low to moderate small businesses; ▪ GPAz lends funds, therefore the ability for the Tucson IDA to get paid back depends on the lending decisions of GPAz; ▪ Reporting to include: quarterly reports (unaudited financial statements), annual audited statements, loan portfolio summary; leverage of \$; ▪ GPAz will provide a private placement credit memo to the Committee for review and consideration; ▪ Tucson Museum of Art (“TMA”) may be looking at a revision to their loan request that was previously approved at the Tucson IDA’s July 19, 2018 regular meeting. It was noted that a new application / credit memo will need to be reviewed by the Committee and followed with a recommendation to the Tucson IDA Board. <p>Maura Grogan reported that her last day is Friday, February 15, 2019;</p> <p>Lesli Pintor will replace her on a full-time basis June 1, 2019, until then she will be part time. Lesli has 31 years in banking and currently teaches at the University of Arizona Eller College.</p>	
<p>5. Call to the Public: This is the time for the public to comment. Members of the Committee and the Authority’s Board of Directors may not discuss items that are not specifically identified on the Agenda. Therefore, pursuant to Arizona Revised Statutes Section 38-431.01(G), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism or scheduling the matter for further consideration and decision at a later date.</p>	<p>No action taken.</p>
<p>6. Adjourn</p>	<p>Meeting Adjourned at 4:08 p.m.</p>

Submitted by:

Approved by:

Karen J. Valdez
 BDFC Advisor Services, LLC

Sandra Barton, Chair of the Loan Review Committee
The Industrial Development Authority of the
City of Tucson, Arizona