

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

Regular Meeting
Thursday, November 21, 2019
3:00 p.m.

Tucson Metropolitan Chamber of Commerce
212 E. Broadway
Tucson, Arizona 85701

Minutes

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| Present: Board Members | Larry Lucero
Neal Eckel
Judy Clinco – via teleconference
Mimi Noshay-Petro |
| Advisors | Charles Lotzar, Lotzar Law Firm, PC
Gary Molenda, BDFC Advisor Services, LLC
Karen Valdez, BDFC Advisor Services, LLC |
| Absent | Sandra Barton
Patricia Schwabe
Meredith Aronson |
| Guests | Mike Czechowski, City of Tucson |

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “Authority”) was held on **November 21, 2019**, at the Tucson Metropolitan Chamber of Commerce, 212 E. Broadway, 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.

ITEM	ACTION TAKEN/TO BE TAKEN
1. Call to Order	The meeting was called to order at 3:05 p.m.
2. Request for resolution to approve the Minutes of the Regular Meeting of October 17, 2019.	A MOTION was made and seconded (N. Eckel / M. Petro) to approve the minutes of the October 17, 2019 Regular Meeting as presented. Approved 4-0
3. Request for resolution to approve the payment of invoices and the notification of to be paid on the Authority’s behalf by third parties.	A MOTION was made and seconded (N. Eckel / M. Petro) to approve payment of invoices as presented.

	Approved 4-0
<p>4. Status report from the Liaison to City of Tucson, Arizona City Manager’s Office related to:</p> <p>M. Czechowski provided status on the following:</p> <p>a. The City’s Economic Development Prospect list.</p> <p>b. The City’s use of Economic Development tools.</p> <p>Government Property Lease Excise Tax (“GPLET”) approval:</p> <ul style="list-style-type: none"> • Fifth Avenue Partners OF, LLC for the Apartment Development Project located at 127 S. 5th Avenue. <p>GPLET, and Site Specific Sales Tax Incentive approval:</p> <ul style="list-style-type: none"> • Pueblo Center Partners, LLP and HSL Circle Properties Limited Partnership LLP for the renovation of an existing hotel located at 181 W. Broadway into a Hyatt Regency hotel. <p>Rezoning of just under 3,000 acres of vacant land from the Arizona State Land Trust, a significant step to entitle State land:</p> <ul style="list-style-type: none"> • Approximately 344 acres to Planned Area Development (“PAD”) zoning. The rezoning site is located on the southwest corner of Valencia Road and Houghton Road. The preliminary development plan proposes development of medium to low density residential. The proposed project will include approximately 20 acres of open space and trails. • Approximately 2,590 acres to Planned Community Development (“PCD”) zoning. The rezoning site is located between the Harrison Road alignment and Houghton Road. The PCD proposed is a master-planned community with a range of activities, mix of land uses, housing types, and price ranges. <p>c. Opportunity Zones.</p> <p>d. Current items of interest.</p> <p>The Mayor & Council meeting held November 19, 2019 was the last for both Mayor Jonathan Rothschild and Councilmember Shirley Scott.</p> <p>The new Mayor & Council will be revising GPLET and updating Plan Tucson 2023 to address:</p> <ul style="list-style-type: none"> • Affordable housing; and • Economic Development: designated corridors. <p>Discussion regarding a Team (Larry Lucero and Mike Czechowski) presentation to the Mayor & Council in 2020:</p> <ul style="list-style-type: none"> • About the Authority. • The Authority’s work. • How the Authority and the City of Tucson can work together. 	No action taken
<p>5. 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:</p> <p>L. Lucero provided updates on the following:</p>	No action taken.

<p>a. Rio Nuevo – El Presidio Focus Group</p> <p>Rio Nuevo working with Project for Public Spaces (“PPS”) held a focus group on the El Presidio Neighborhood (“EPN”) and the surrounding area, including 450 N. Main, Block 175, and Block 174 (in the Rio Nuevo District). There was a good balance of interested folks present. The focus group was attended by L. Lucero, P. Schwabe, and former Authority Director, A. Weinstein. Other attendees included, Ron Schwabe, Darrin Hicks, and Rio Nuevo representatives Fletcher McCusker and Janie Cox. There were also several developers and architects present.</p> <p>Additional focus groups were hosted by the City Manager’s Office.</p> <p>b. Rio Nuevo – El Presidio Museum Duplex Renovation</p> <p>c. Rio Nuevo – El Presidio Project for Public Spaces</p> <p>The group visited areas with public spaces for review for:</p> <ul style="list-style-type: none"> • Green space that can be activated that would add to quality of life. • More amenities in space by the Library. • Transamerica Building: obstacles in terms of what can be done. • YMCA: changing the façade completely. C. Lotzar stated that this could be a good bond issue and is willing to reach out to the YMCA. <p>Most of the focus was on streets and areas that can be blocked out for events. Other focus discussion was on:</p> <ul style="list-style-type: none"> • Archways into EP. • Potentially expanding the EPN footprint. • Historic district and COT’s definition of EPN. <p>d. 2020 Regular Meeting dates and times</p> <p>The 2020 Regular Meetings will be held from 2:30 pm to 4:30 pm on the 3rd Thursday of each month at the Tucson Metropolitan Chamber of Commerce, 212 E. Broadway, Tucson, Arizona 85701.</p>	
<p>6. Discussion and request for resolution authorizing all actions necessary to obtain a 2019 Carryforward Allocation of Private Activity Bonding Authority in the amount of \$15,000,000 for the purpose of providing the allocation required for the establishment of a qualified Mortgage Credit Certificate (“MCC”) Program to the extent permitted by Arizona Revised Statutes Section 35-901 onward.</p> <p>C. Lotzar providing background info by reviewing the Resolution that was approved at the August 15, 2019 Regular Meeting. Currently, market forces result in negative arbitrage; which effectively prevents the issuance of single family mortgage revenue bonds.</p>	<p>No action taken.</p>

<p>7. Status report and request for resolution authorizing all actions necessary to grant final approval for the establishment of the Authority’s Single Family Mortgage Credit Certificate Program of 2020 including but not limited to the use of an allocation of Private Activity Bonding Authority in an amount not to exceed \$15,000,000.</p> <p>C. Lotzar reviewed the Resolution, granting final approval, for all actions necessary for the establishment of the Authority’s Single Family Mortgage Credit Certificate (“MCC”) Program of 2020. The program is scheduled to begin January 2, 2020 and have a 3 year origination period that will expire on December 31, 2022.</p> <p>Mr. Lotzar reviewed notable changes from the prior MCC Program:</p> <ul style="list-style-type: none"> • The Administration Agreement with Advantage Housing Services, LLC will increase from \$90,000 to \$97,200 payable at the rate of \$2,700/month over the applicable 3 year origination period. • Tax law changes pertaining to the standard deductions, elimination of exemptions, and increase in the qualified child credits. <p>It was the consensus of the Authority to accept changes to the 2020 MCC Program and approve the resolution for final approval of all actions necessary to establish the 2020 MCC Program.</p>	<p>A MOTION was made and seconded (M. Petro / N. Eckel) to approve all actions necessary to establish the 2020 Mortgage Credit Certificate Program. Approved 4-0</p>
<p>8. Status report and review of website development and request for resolution for any actions related thereto.</p> <p>L. Lucero reported that the Phase 2 of the website development is approximately 80% complete. The Lotzar Law Firm, PC is nearing completion of the bond financing information. The launch of the website is anticipated to occur by yearend.</p>	<p>No action taken.</p>
<p>9. Status Report related to the potential sale, development, construction, equipping and /or operation of a project on (a) 450 N. Main, (b) Block 174, and (c) Block 175, and request for resolution related thereto; which may include formally ratifying the direction previously given to legal counsel. Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(3) and/or (4), the Authority may vote to recess and meet in Executive Session for discussion or consultation with and to provide direction to the Authority’s legal counsel about this item. Any action taken by the Authority regarding this matter will be taken in open meeting session (either at this meeting or later) after the adjournment of the Executive Session.</p> <p>450 N. Main:</p> <ul style="list-style-type: none"> • A Letter of Interest (“LOI”) was received for the purchase of 450 N. Main. Mr. Lotzar stated that the proposed use is for the relocation of historic homes to be used as commercial offices, shops, or restaurants. • Discussion regarding the terms and restrictions of the existing Sale & Development Agreement (“PSA”) between the Authority and the City of Tucson, Arizona; which requires a development of affordable housing and/or mixed use with an affordable housing component. However, it was noted the “affordable” is not defined and the PSA is ambiguous. • Landscape maintenance will occur early December 2020 and will include removal of certain trees and lifting the canopy of the remaining trees. <p>Block 175:</p> <ul style="list-style-type: none"> • L. Lucero explained that D. Hicks participated in the El Presidio focus group held by Rio Nuevo with Project for Public Spaces. Subsequent to the May 23, 	<p>No action taken.</p>

<p>2019 presentation, there has not been any new communication. However, Mr. Hicks is participating in discussions in the EPN.</p> <p>Block 174: No discussion.</p>	
<p>10. Staff Reports: Monthly Staff Report for the month ending October 31, 2019.</p> <p>K. Valdez reviewed the following:</p> <p>a. General Operations of the Authority:</p> <ul style="list-style-type: none"> i. Parking Lot Financial Statements prepared by Pueblo Parking Systems, LLC (“PPS”). Report provided as prepared by PPS. ii. Bond Borrower’s payment of Administrative Fees. Annual assessment fees are current as of October 31, 2019. iii. Cash Management. Cash and cash equivalent accounts were reviewed. Estimated funds available at October 31, 2019, less existing commitments and recommended reserves is: \$4,101,850. iv. Loan Servicing. Seoul Kitchen – a waiver of non-accrual status was approved and provided to Borrower on November 4, 2019 giving the Borrower time to sell the building and pay off the loan in full. v. Loan Origination. No loan requests this month. <p>b. Outstanding Single-Family Programs:</p> <ul style="list-style-type: none"> 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 \$610,600,000 in mortgage-backed securities sold with more than \$25,000,000 of down payment assistance granted to homebuyers. <ul style="list-style-type: none"> • The PTHS Program has originated 4,283 loans with an aggregate loan amount of approximately \$615,859,455. • The Freddie Mac income limit will decrease to \$66,200 as of May 1, 2020. 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 	<p>No action taken.</p>

December 31, 2020 – more than \$307,745,000 in mortgage-backed securities sold (1st sales in October 2016) with more than \$30,000,000 of down payment assistance granted to homebuyers and over \$6,200,000 deposited into the Tucson Rapid Rehousing Fund.

- The Tucson P2P Program has originated 2,315 loans with an aggregate loan amount of approximately \$345,814,000.
- The current P2P Program allocation
- As of **October 31, 2019**, there has been approximately \$6,227,927 made available for the Tucson Pima Rapid Rehousing Program.
- Additional P2P allocation will be made available in 2020 however, the eligible zip codes will change. The eligible area trade-off is balanced and expected to have a positive impact on the program. The potential downside is that adding new zip codes may not be allowed; the Tucson Pima area could have 2 carry forward areas or 8 if new zip codes are allowed. Confirmation of the additional allocation and eligible areas will not be received until after the holidays.

iii. \$9,375,000 The Industrial Development Authority of the City of Tucson, Arizona Single Family Mortgage Credit Certificate Program of 2017- January 3, 2017 – Origination Period expires December 31, 2019 more than 52 issued aggregating to over \$7,948,063.

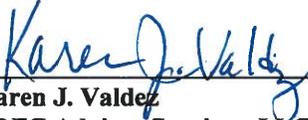
- 53 Mortgage Credit Certificate (“MCCs”) have been issued as of **October 31, 2019**.
- Percentage of MCCs at or below 80% AMI: **69.81%**.
- Average income: **\$41,469**.
- Average purchase price: **\$160,947**.
- The MCC Program has slowed significantly due to lack of affordable housing inventory. Sellers are able to receive cash from investors willing to pay above the appraised value of the home.

iv. The 7% 2nd Mortgage Loans originated in connection with:

- A. **Series 2006 (Joint) - \$30,475,000 – 1st Mortgage Loan Interest Rate 5.97% - 2016 Final Redemption of all Bonds - approximately \$117,000 in 2nd Mortgage Loans are outstanding).**
- B. **Series 2007A (Joint) - \$23,400,000 - 1st Mortgage Loan Interest Rate 5.69% - 2016 Final Redemption of all Bonds -**

approximately \$139,700 in 2 nd Mortgage Loans are outstanding).	
11. Call to the Public	No action taken.
12. Adjourn	A MOTION was made and seconded (N. Eckel / M. Petro) to adjourn the meeting at 4:13 p.m. Motion carried

Submitted by:



 Karen J. Valdez
 BDFC Advisor Services, LLC

Approved by:



 Larry Lucero, President
 The Industrial Development Authority of the
 City of Tucson, Arizona

