The Industrial Development Authority
of the City of Tucson

THE INDUSTRIAL DEVELOPMENT AUTHORITY

OF THE CITY OF TUCSON, ARIZONA

Regular Meeting
Thursday, December 19, 2019
3:00 p.m.

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

Minutes

Present:	**Board Members**	Larry Lucero Neal Eckel Judy Clinco – via teleconference Mimi Noshay-Petro Sandra Barton – arrived 3:04 p.m. Meredith Aronson Patricia Schwabe – arrived 3:45 p.m.
	Advisors	Charles Lotzar, Lotzar Law Firm, PC Gary Molenda, BDFC Advisor Services, LLC Karen Valdez, BDFC Advisor Services, LLC
	Guests	Mike Czechowski, City of Tucson Scott Riffle, Stifel Public Finance

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the "**Authority**") was held on **December 19, 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 **3:00 p.m.**
2. Request for resolution to approve the Minutes of the Regular Meeting of November 21, 2019.	A **MOTION** was made and seconded (M. Noshay - Petro / N. Eckel) to approve the minutes of the **November 21, 2019** Regular Meeting as presented. **Approved 5-0**
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 / S. Barton) to approve payment of invoices, as presented.

Approved January 16, 2020

	Approved 6-0
4. Status report from the Liaison to City of Tucson, Arizona City Manager's Office related to: M. Czechowski provided status on the following: **a. The City's Economic Development Prospect list.** **b. The City's use of Economic Development tools.** Government Property Lease Excise Tax (**"GPLET"**): • Regal Inn – Frontage Road: **$3,500,000** in renovation and adding additional meeting space. • Revisions to the GPLET Application are being drafted to potentially include the following: **i.** A scoring matrix that will be based on certain criteria. Applicants will be encouraged to be creative in how they will meet the criteria and as an example may include: transit passes, affordable housing, offsite improvements, adaptive reuse, etc. **ii.** Neighborhood outreach, as a first step. **iii.** Contributions to the Housing Trust Fund. **c. Opportunity Zones.** **d. Current items of interest.** • **1 S. Church:** Developers plan to convert **8** floors of the **23**-story tower into a **150** room boutique lifestyle hotel, to include: **1,500** square feet of meeting space; **4,000** square foot restaurant and bar, outdoor patios and a marketplace. The top floors would remain offices. Marriott, Hilton and Hyatt are currently in discussions about branding. An incentive package has been unanimously approved by the Rio Nuevo board subject to a required financial analysis. Incentives include: GPLET and Site Specific sales tax revenue sharing of up to **$1,000,000.** • **Block 175:** A **December 2019** Trend Magazine article states that Block 175 will be developed with the Platform site.	No action taken.
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: L. Lucero provided updates on the following: **a. Regular Meeting in 2020 will be at 2:30 pm on the 3rd Thursday of each month.** N. Eckel asked if there are any other locations for the **2020** Regular Meetings. It was noted that the schedule of **2020** Regular Meeting days and times have been posted and published and if a change occurs, a revised posting and publication will be required. K. Valdez was directed to inquire about availability of the **1st** floor conference room in City Hall from **3:00 p.m. to 5:00 p.m.**	No action taken.

b. Urban Land Institute ("ULI") Trends Day 2020 – February 26, 2020 – JW Marriott Desert Ridge, 5350 E. Marriott Drive, Phoenix, Arizona 85054. L. Lucero stated that he will attend and encouraged everyone to attend and to please express interest if they are able to attend; arrangements can then be made. **c. Rio Nuevo – Project for Public Spaces ("PPS") – Summary Notes from: Place Making at El Presidio** L. Lucero reviewed the summary notes prepared and distributed by PPS regarding focused group discussions that prioritizes certain street locations that could be activated for specific occasions. Mr. Lucero concluded by saying that the Authority may be asked to participate and/or to provide a financial contribution to make something happen at one of the designated locations to be activated within the El Presidio. Some examples mentioned are: benches, some vegetation and planters, etc. L. Lucero asked that the Authority review the **2** PowerPoint Presentations (the "**Housing Reports**") that were forwarded by Mr. Lotzar regarding housing and trends in housing. Mr. Lucero stated that they are very well done and suggests taking a template of how these Housing Reports were structured and to find someone to do something similar for Tucson as the info would be extremely valuable. L. Lucero stated that the Authority may wish to think about investing in a consultant to work on this, noting that the info is: fluid and changing rapidly and dramatically. C. Lotzar stated that he can reach out to Greg Vogel, the owner of Land Advisors.	
6. Status report and review of website development and request for resolution for any actions related thereto. L. Lucero reported that Mr. Lotzar has provided the "**Bond Financing**" information to WestWordVision. It was also noted that changes to the Homebuyer Assistance page is needed due to recent information received and this change will delay the launch of the website second phase.	No action taken.
7. Status report related to relationship with Veridus and request for resolution related thereto. L. Lucero reviewed the Agreement of Representation (the "**Agreement**") dated **December 19, 2019** that was received from Veridus. The term of the Agreement is **August 1, 2019** through **December 31, 2020** and outlines Services to be provided. The Agreement includes a **$100** per month fee increase. It was the consensus of the Authority to approve the Agreement as presented.	A **MOTION** was made and seconded (S. Barton / M. Noshay-Petro) to approve Agreement of Representation, dated **December 19, 2019**, for the term beginning **August 1, 2019** through **December 31, 2020** including the monthly fee increase as presented. **Approved 6-0**
8. 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.*** **450 N. Main:** • Landscape clean up, including removal of certain trees and lifting the canopy of the remaining trees has been completed.	No action taken.

• No response from owner of adjacent parcel. • Letter of interest, for the purchase of **450** N. Main was received. The proposed use if for the relocation of historic homes to be used as commercial offices, shops, or restaurants. This information has been provided to the City of Tucson (**"COT"**). Several requests for a meeting, to discuss the Purchase and Sale Agreement, have been made to the COT with no response has been received to date. The potential buyer is aware and knows until there is clarity from the COT, the Authority cannot sell **450** N. Main. **Block 174**: • L. Lucero suggested that the Authority re-enter a conversation with Rio Nuevo. Discussions at the focused workshops held by **Project for Public Spaces (**"**PPS**"**)**, Rio Nuevo suggested that the portion of **Block 174** owned by them, could be activated as a potential pocket park which would eliminate that parking at grade situation they have today. The Authority should be aware of any changes and what other options there might be. • The adjacent property owner at **257** N. Stone was contacted. There is no change on the sale price. **Block 175**: • The Hicks Team participated in the focus group workshops held by PPS and continue to do their due diligence.	
9. Status report related to relationship with Sage Tax Appeals and request for resolution related thereto. M. Noshay - Petro declared a conflict and will not be participating in the conversation or vote of this item. K. Valdez provided the following summary of the Sage Tax Appeals (**"Sage"**) property tax engagement for tax year **2021**: • **$75** Assessment evaluation fee per property or **$225** for **3** properties. • **40%** Contingency fee. If the tax appeal is successful, then Tucson IDA will pay **40%** of the savings and/or refunds obtained for the **2021** and **2022** tax year as a result of the **2021** tax year appeal. • Additional property tax services (i.e. tax estimates and projections) are billed on a par service basis based upon the time and expense incurred at a predetermined and agreed upon rate. • Any necessary property litigation will require a separate contract. Discussion ensued, and it was the consensus of the Authority to enter into an agreement for the **2021** tax year.	A **MOTION** was made and seconded (S. Barton / N. Eckel) to approve the Fee Agreement with Sage Tax Appeals and Agency Authorization Form for review/assessment of the Authority's **3** properties for the **2021** tax year. **Approved 5-0** (M. Noshay - Petro **non-voting**)
10. Staff Reports: Monthly Staff Report for the month ending November 30, 2019 K. Valdez reviewed the following: **a. General Operations of the Authority:**	No action taken.

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 **November 30, 2019**.

iii. **Cash Management.** Cash and cash equivalent accounts were reviewed. Estimated funds available at **November 30, 2019**, less existing commitments and recommended reserves is **$4,228,141.**

iv. **Loan Servicing.** All loans are current; Seoul Kitchen paid in - full.

v. **Loan Origination.**

b. **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 $610,600,000 in mortgage-backed securities sold with more than $25,000,000 of down payment assistance granted to homebuyers.**

- The PTHS Program has originated **4,300** loans an aggregate loan amount of approximately **$619,482,000**.

- S. Riffle stated that the FHA **660+** FICO made up the largest amount of loans accounting for **75%** of last month's volume. In **November 2019**, **17** loans were reserved under the FHA **660+** FICO option totaling **$3,200,000**.

  Mr. Riffle stated that Freddie Mac has decided to do the same thing as Fannie Mae and offer their subsidies to borrowers at **80%**, or less, of Area Median Income ("**AMI**"). This will change will go into effect as of **February 3, 2020.** Stifel is working through how best to price options to accommodate borrowers that are above **80%** AMI, so they can still achieve home ownership and realize some of the down payment assistance benefits that the Authorities offer. It was noted that Freddie Mac and Fannie Mae are being directed to focus entirely on loans serving persons and families **80% AMI** and below. It's the 2 agencies' highest priority to improve capitalization and to become more attractive to private investors.

U.S. Bank has been reviewing some of the suggestions given to them over the last **12** to **18 months** and reviewing / discussing with their credit group some enhancements that might help the programs be more competitive, particularly since conventional loans are less prevalent.

Mr. Lotzar has been corresponding with U.S. Bank regarding these changes that will take place sometime in **January 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 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 **2,350** loans with an aggregate loan amount of approximately **$352,762,000**.
- As of **November 30, 2019**, there has been approximately **$6,500,000** made available for the Tucson Pima Rapid Rehousing Program.
- The current P2P Program allocation has been fully allocated. The Arizona Department of Housing ("**ADOH**") is currently negotiating additional allocation for a **2020** P2P Program. If successful however, eligible areas will likely change.

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 Certificates ("**MCCs**") have been issued as of **November 30, 2019**.
- **69.81%** of MCCs at or below **80%** AMI.
- Average income: **$41,469.**
- Average purchase price: **$160,947.**
- A News Release will be prepared announcing the **2020** MCC Program.
- Recent correspondence from Lenders state confusion as they have received notices from Community Investment Corporation ("**CIC**") stating that The Industrial Development Authority

of the County of Pima (the "**Pima IDA**") is issuing MCCs, administered by CIC, in all of Pima County including City of Tucson. This will be confirmed. Additionally, last year the Authority changed to a **$1,000** Program Fee to match the Pima IDA Program Fee. Shortly after this change, Pima IDA lowered their fee to **$500**. K. Valdez stated that in order to decrease Lender confusion, the Authority may consider reducing the Program Fee to **$500** to match the Pima IDA. It was the consensus that the fee be reduced in the **2020** MCC Program. • **2020** MCC Program will launch **January 2, 2020**.Mr. Lotzar said the new program would reduce the **2020** Mortgage Credit Certificate Program Fee to **$500** and the Annual Fee to **$100**. **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 2nd Mortgage Loans are outstanding).**	
11. Call to the Public	No action taken.
12. Adjourn	A **MOTION** was made and seconded (J. Clinco / S. Barton) to adjourn the meeting at **4:00 p.m. Approved 7-0**

Submitted by:

Karen J. Valdez
BDFC Advisor Services, LLC

Approved by:

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

Approved January 16, 2020