



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

**Regular Meeting**  
Thursday, January 16, 2020  
2:30 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  
   Meredith Aronson – arrived at 2:53 p.m.  
   Patricia Schwabe – arrived 2:35 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 **January 16, 2020**, 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
<b>1. Call to Order</b>	The meeting was called to order at <b>2:34 p.m.</b>
<b>2. Request for resolution to approve the Minutes of the Regular Meeting of November 21, 2019.</b>	A <b>MOTION</b> was made and seconded (M. Noshay - Petro / S. Barton) to approve the minutes of the <b>December 19, 2019</b> Regular Meeting as presented. <b>Approved 5-0</b>
<b>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.</b>	A <b>MOTION</b> was made and seconded (N. Eckel / S. Barton) to

<p>Mr. Lotzar reviewed the transcript for the <b>2020</b> Mortgage Credit Certificate (“<b>MCC</b>”) Program noting that the Lotzar Law Firm, PC Statement for the MCC Program will be submitted next month. A Press Release will go out today announcing the launch of the <b>2020</b> MCC Program.</p>	<p>approve payment of invoices, as presented. <b>Approved 6-0</b></p>
<p><b>4. 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> <p><b>a. The City’s Economic Development Prospect list.</b> <b>b. The City’s use of Economic Development tools.</b></p> <p>At the request of the Mayor &amp; Council, the existing Government Property Lease Excise Tax (“<b>GPLET</b>”) application is undergoing revisions to include a scoring matrix that will be based on certain criteria including:</p> <ul style="list-style-type: none"> <li>• Economic analysis: <ul style="list-style-type: none"> <li>➤ Project increases the value by <b>100%</b>; and</li> <li>➤ Public benefit means the tax revenues generated will outweigh the value of the property taxes being abated.</li> </ul> </li> <li>• Public improvements: Investment in neighborhoods including amenities;</li> <li>• Adaptive reuse.</li> <li>• Neighborhood outreach.</li> <li>• Creativity, etc.</li> </ul> <p>A function of the GPLET, within the central business district (“<b>CBD</b>”), is in the process of being recertified this year:</p> <ul style="list-style-type: none"> <li>• The downtown core, and areas around it, that offer <b>100%</b> abatement of property taxes for up to <b>8 years</b>.</li> <li>• The City of Tucson (“<b>COT</b>”) will take title to the property during the <b>8 year</b> period.</li> <li>• Outside the CBD, business owners can pay excise tax in lieu of property taxes.</li> </ul> <p>Mayor &amp; Council will review the draft changes to the GPLET at the <b>February 19, 2020</b> meeting. In addition to the scoring criteria, review will include projections for the business core expansion areas and how those areas will be filled.</p> <ul style="list-style-type: none"> <li>• Expansion area can go up to <b>2%</b> of the city mass; currently at <b>1.5%</b></li> </ul> <p>It was noted that <b>Block 175, Block 174, and 450 N. Main</b> are all in the CBD.</p> <ul style="list-style-type: none"> <li>• The <b>1 South Church</b> property reuse project will be going through Rio Nuevo for GPLET and site specific sales tax revenue sharing.</li> </ul> <p><b>c. Opportunity Zones.</b> <b>e. Current items of interest.</b></p>	<p>No action taken.</p>
<p><b>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:</b></p> <p>L. Lucero provided updates on the following:</p>	<p>No action taken.</p>

<p>a. <b>Urban Land Institute (“ULI”) Trends Day 2020 – February 26, 2020 – JW Marriott Desert Ridge, 5350 E. Marriott Drive, Phoenix, Arizona 85054</b></p> <p>Attendance on behalf of the Authority: L. Lucero, N. Eckel, M. Aronson, P. Schwabe, and C. Lotzar.</p> <p>b. <b>2020 NALHFA Annual Conference – May 6 – 9, 2020 – New York Hilton Midtown, New York, NY</b></p> <p>Attendance on behalf of the Authority: K. Valdez.</p> <p>c. <b>2020 Regular Meeting Schedule</b> – Regular Meetings will be held at the Tucson Metropolitan Chamber of Commerce at <b>2:30 p.m.</b> for the remainder of <b>2020</b>.</p>	
<p><b>6. Status report concerning recommendation from the Loan Review Committee concerning a request from Business Development Corporation (“BDFC”) for participation in a loan with BDFC in an amount not to exceed \$137,500 related to BDFC’s loan to Bestway Electric Motor Service, Inc. for its business to be operated at 728 S. Campbell, Tucson, AZ 85719, and request for resolution for all actions related thereto.</b></p> <p>S. Barton reported that the Loan Review Committee (“Committee”) met on <b>January 15, 2020</b> to review the loan request presented by Business Development Finance Corporation (“BDFC”). S. Barton reviewed the following:</p> <p>Operating Company: Bestway Electric Motor Service Co., Inc. (Guarantor).</p> <p>BDFC Loan Total: <b>\$275,000.</b></p> <p>The Authority’s Loan: <b>\$137,500</b> participation. <b>6.5%</b> (5.5% net of <b>100</b> basis point servicing fee to BDFC), fixed for <b>5</b> years, and then reset to the <b>10</b> year Treasury plus <b>4.75%</b>.</p> <p>Perm Loan: <b>10</b> year Term - <b>25</b> year Amortization.</p> <p>Total Project Cost: <b>\$1,574,875.</b></p> <p>Project Address: <b>728 S. Campbell Ave, Tucson, Arizona 85719.</b></p> <p>Purpose: Refinance debt.</p> <p>Basis of eligibility: Section <b>3(a)</b> of Loan Policy: Economic Development Job creation: <b>2</b> Full Time Employees (“FTE”) Job retention: <b>32</b> FTE</p> <p>Collateral: <b>2<sup>nd</sup></b> Deed of Trust on commercial property <b>2<sup>nd</sup></b> UCC on Equipment owned by Bestway</p> <p>S. Barton stated the operating company, Bestway Electric Motor Services Co., Inc. (“Bestway”), has been in business since <b>1978</b>. The proposed business refinance will consolidate debt which will result in ratios more in line with industry standards. Ms. Barton stated that the recommendation of the Committee is for approval of participation in a loan with BDFC in the amount of <b>\$137,500</b>.</p> <p>Discussion ensued and it was the consensus of the Authority to accept the recommendation of the Committee and approve participation in the loan with BDFC.</p>	<p>A <b>MOTION</b> was made and seconded (S. Barton / M. Aronson) to approve participation in a loan with BDFC in an amount not to exceed <b>\$137,500</b> related to BDFC’s loan to Bestway Electric Motor Service, Inc. as presented. <b>Approved 7-0.</b></p>

<p><b>7. Status report and review of website development and request for resolution related thereto.</b></p> <p>L. Lucero reported that the website, although still under construction, is in the final edit stage and should be launched soon.</p> <p>P. Schwabe stated that the Authority has not given full attention to the approach of marketing, or promoting, the Authority. With regard to informing the public, the following questions were asked :</p> <ul style="list-style-type: none"> <li>• Who is the Authority?</li> <li>• What does the Authority do?</li> <li>• How do people find the Authority? Can we update internet search words?</li> <li>• What is being done to inform the public on the Authority’s activity?</li> </ul> <p>It was noted that the website, although informative, is just one tool.</p> <p>Discussion ensued and the following was suggested:</p> <ul style="list-style-type: none"> <li>• Billboards, bus benches, and signs at loan project sites.</li> <li>• Host an event: “Meet the Mayor” and include new Council Members Lane Santa Cruz and Nikki Lee.</li> </ul> <p>It was the consensus of the Authority to move forward with the reception for the new Mayor and Council. L. Lucero named P. Schwabe the Chair of the Marketing Committee. She stated that she will put together a proposal with a budget for a marketing campaign and for an event to meet the Mayor.</p>	<p>No action taken.</p>
<p><b>8. Status report to potential Arizona legislation regarding the Industrial Development finance Act and Private Activity Bonding Allocation Act and request for resolution related thereto. 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.</b></p> <p>C. Lotzar provided information pertaining to legislative activity. Items discussed:</p> <ul style="list-style-type: none"> <li>• The Authority gave preliminary approval for a Mortgage Credit Certificate Program, and in connection with that, agreed to seek a Carryforward Allocation of Private Activity Bonding (“<b>PAB</b>”) authority.</li> <li>• PAB authority – at the end of each calendar year, the amount of PAB authority that is unused can be carried forward for a project for up to <b>3 years</b>.</li> <li>• Having the allocation early afforded the Authority the power to start the program on <b>January 2, 2020</b>.</li> <li>• Subsequently, Intel decided that they wanted to put in a request for all of the remaining allocation for the entire state; their counsel took a very aggressive position of “first and time is first and right”. Intel did get their large allocation, and Intel can issue bonds anytime within <b>3 years</b>.</li> <li>• Kutak Rock, LLP who represents the Arizona Industrial Development Authority, are no longer willing to proceed with any form of their proposed legislation this year.</li> <li>• State Agencies cannot hire lobbyists to do work for them.</li> <li>• Both the Senate President and the Speaker are familiar and are comfortable with</li> </ul>	<p>No action taken.</p>

<p>the people they appointed to Rio Nuevo; they have a good track record and the track record continues to improve.</p> <p>C. Lotzar stated that the advocacy group for affordable housing he formed, is pursuing legislation for a state, low income housing tax credit bill.</p> <p>The Board Packet includes data on the use of Private Activity Bonding authority across the country.</p>	
<p><b>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.</b></p> <p>C. Lotzar provided updates on the following properties:</p> <p><b>450 N. Main:</b></p> <p>C. Lotzar has been unable to respond to the Letter of Intent (“<b>LOI</b>”) due to the inability to get a meeting with the City of Tucson Mayor and Ward 1 offices.</p> <p>M. Czechowski recommended making it an item on the Mayor &amp; Council Study Session Agenda. The next Mayor &amp; Council Study Session is <b>February 20, 2020</b>.</p> <p>Mr. Lotzar stated that with the passage of time, only 6 months remain before the Authority can go back directly to the Mayor &amp; Council through the City Manager’s office.</p> <p>C. Lotzar reported that the Authority has the ability to extend the term of the Staging Area Licensing Agreement (“<b>Agreement</b>”) with the current user through <b>March 31, 2020</b> at <b>\$1,500</b> per month. It was the consensus of the Authority to approve extension of the Agreement.</p> <p><b>Block 175:</b></p> <p>C. Lotzar stated that he received a call from Justin Lanne, NAI Horizon, and encouraged Mr. Lanne to submit a LOI. Mr. Lanne is familiar with the prior marketing package that was put together for Block 175, so he is aware of all the due diligence issues. It was noted that Mr. Lanne has a potential user that would build apartments above a structured parking garage. Mr. Lotzar explained the nature of the Authority as an entity and the fact that there needs to be some degree of coordination or cooperation with the Mayor &amp; Council.</p> <p><b>Block 174:</b></p> <p>C. Lotzar reached out to the owner of <b>257 N. Stone Avenue</b> who has not moved from his asking price which is approximately <b>\$60,000</b> above the Authority’s last offer.</p>	<p>A <b>MOTION</b> was made and seconded (P. Schwabe / S. Barton) to approve the extension of the Staging Area License Agreement through <b>March, 2020</b>. <b>Approved 6-0</b> (N. Eckel was outside of the room).</p>
<p><b>10. Staff Reports: Monthly Staff Report for the month ending December 31, 2019</b></p> <p>C. Lotzar reviewed the following:</p> <p><b>a. General Operations of the Authority:</b></p>	<p>No action taken.</p>

- i. **Parking Lot Financial Statements prepared by Pueblo Parking Systems, LLC (“PPS”).** Reports provided as prepared by PPS.
- ii. **Bond Borrower’s payment of Administrative Fees.** Annual assessment fees are current as of **December 31, 2019**.
- iii. **Cash Management.** Cash and cash equivalent accounts were reviewed. Estimated funds available at **December 31, 2019**, less existing commitments and recommended reserves is **\$4,432,738**.
- iv. **Loan Servicing.** All loans are current.

**Loan Origination.** Approved a participation with BDFC in their loan to Bestway Electric Motor Service Co., Inc.

**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 \$613,310,000 in mortgage-backed securities sold with more than \$25,000,000 of down payment assistance granted to homebuyers.**

- The PTHS Program has originated **4,314** loans in with an aggregate loan amount of approximately **\$613,310,000**
- S. Riffle reported that as of **January 6, 2020**, US Bank implemented system wide changes that are largely FICO driven and debt to income (“DTI”) driven. These changes affecting FHA loans include certain adjustments of FICO score limits.

US Bank is allowing **100** loans in the **640 to 659** category. S. Riffle said that the highest that is seen elsewhere is **10**. That is a tribute to the fact that the Authority’s program does affordable loans and US Bank is comfortable with the credit as it relates to those type of loans.

S. Riffle stated that the Freddie Mac change goes into effect on **January 21, 2020**. The Servicing Release Price Grid will change to show **80%** AMI and below and **80%** AMI and above, in the pricing for these type of loans.

Mortgage loan rate sheets are sent out to Lenders on a daily basis.

C. Lotzar stated that US Bank took some good feedback from Mr. Riffle and others to try and improve the program for the sake of competition as there are

other down payment assistance programs out there

- 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 \$340,000,000 in mortgage-backed securities sold (1<sup>st</sup> 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.**
  - As of **December 31, 2019**, the Tucson P2P Program has been fully originated.
  - The Tucson P2P Program has originated **2383** loans since inception in **2019**, with an aggregate loan amount of **\$357,089,098** and generating over **\$34,900,000** in down payment assistance.
  
- iii. **\$9,375,000 The Industrial Development Authority of the City of Tucson, Arizona Single Family Mortgage Credit Certificate Program of 2020- January 2, 2020 – Origination Period expires December 31, 2022.**
  - A News Release will go out today announcing the launch of the **2020** Mortgage Credit Certificate Program.
  - The **2020** Mortgage Credit Certificate Program offers an annual federal tax credit equal to **40%** of the total annual mortgage interest paid up to **\$2,000** each year for as long as the homebuyer owns and lives in the home purchased.
  - The MCC Program Fee is **\$500**, down from **\$1,000** in the prior program.
  
- iv. **The 7% 2<sup>nd</sup> Mortgage Loans originated in connection with:**
  - A. **Series 2006 (Joint) - \$30,475,000 – 1<sup>st</sup> Mortgage Loan Interest Rate 5.97% - 2016 Final Redemption of all Bonds - approximately \$117,000 in 2<sup>nd</sup> Mortgage Loans are outstanding).**
  - B. **Series 2007A (Joint) - \$23,400,000 - 1<sup>st</sup> Mortgage Loan Interest Rate 5.69% - 2016 Final Redemption of all Bonds - approximately \$139,700 in 2<sup>nd</sup> Mortgage Loans are outstanding).**
  - C.

11. Call to the Public

No action taken.

<ul style="list-style-type: none"> <li>• <b>12. Adjourn</b></li> <li>• N. Eckel and P. Schwabe stated that they will be out of town and unable to attend the <b>February 19, 2020</b> Regular Meeting. P. Schwabe stated that she may be able to call in.</li> </ul>	A <b>MOTION</b> was made and seconded (M. Noshay – Petro / S. Barton) to adjourn the meeting at <b>4:13 p.m. Approved 7-0</b>
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**Submitted by:**

**Approved by:**

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**Karen J. Valdez**  
**BDFC Advisor Services, LLC**

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