



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

**Regular Meeting
Thursday, April 16, 2020
3:00 p.m.**
Business Development Finance Corporation
333 N. Wilmot Road, Suite 227
Tucson, Arizona 85711

**Conference call 520.623.3377 extension 5 and then dial 1342#
Minutes**

- Present: Board Members**
 - Larry Lucero
 - Judy Clinco
 - Mimi Noshay-Petro
 - Neal Eckel
 - Sandra Barton
 - Patricia Schwabe – arrived 3:05 p.m.

- Absent**
 - Meredith Aronson

- 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
 - Kevin Burke, 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 **April 16, 2020**, remotely through telephone conference call, as permitted under Arizona law to protect public health due to the impacts of the COVID-19 pandemic; which has prompted declarations of a public health emergency at both the State and Federal level. All Authority’s Board Members and the general public were duly notified of the meeting. Members of the public were not allowed to attend the Regular Meeting in person, but were invited to attend and listen by conference telephone call. The Regular Meeting did not include any items for public comment. 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 3:02 p.m.
2. Request for resolution to approve the Minutes of the Special Meeting of March 25, 2020.	A MOTION was made and seconded (N. Eckel / J. Clinco) to approve the minutes of the March 25, 2020 Special Meeting as presented. Approved 6-0

<p>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.</p> <p>K. Valdez reviewed updated payables detail to include additional invoices that were received within the past few days: Lotzar Law Firm, PLLC, Pima County 2nd half Property Taxes for 450 N. Main, and an annual storage fee to Citizen Transfer & Storage.</p>	<p>A MOTION was made and seconded (S. Barton / M. Noshay-Petro) to approve payment of invoices, as presented. Approved 6-0</p>
<p>4. Status report from the Liaison to City of Tucson, Arizona City Manager’s Office related to:</p> <p>M. Czechowski provided updates from the Economic Initiatives Office as follows:</p> <ul style="list-style-type: none"> a. The City’s Economic Development Prospect list. b. The City’s use of Economic Development tools. c. Opportunity Zones. e. Current items of interest. <ul style="list-style-type: none"> • M. Czechowski stated that B. Coffee, Director of City of Tucson Economic Initiatives office and G. Molenda, President of Business Development Finance Corporation (“BDFC”) have been working to put together a loan fund to benefit small businesses impacted by COVID- 19. • City of Tucson employees have been designated as Small Business Navigators to answer phone calls coming in through the hot line. If appropriate, calls are then referred to BDFC and other sources for small business assistance. • Focus is on keeping prospects on track to ensure projects keep moving forward. • Rio Nuevo incentive for 1 South Church will go to Mayor & Council in May 2020. • COT is reaching out to the business community to complete a survey to gain insights on what impact COVID-19 is having locally, to better gage what is assistance is needed. • April 15, 2020 was the deadline for the Economic Workforce Special Events Grant applications. The City of Tucson is reviewing 35 applications with an ask amount at over \$1,400,000 that will need to be cut down to \$600,000 for review by Mayor & Council late May or early June 2020. 	<p>No action taken.</p>
<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 information on a couple efforts the Authority is participating contributing to in the amounts of \$2,500 each, approved in item 3 (payables):</p> <ul style="list-style-type: none"> a. Downtown Tucson Partnership Restaurant Gift Card Program This is for Phase 2 or Phase 3 of a gift card program that has been very successful. The program offers gift cards for \$25 that have a \$35 value; dollars collected go directly to downtown restaurants who participate. b. Tucson Helping Tucson update The 90 minute live-stream broadcast was a combination of pre-recorded and live performances, interviews, and audience interaction. All performers and guests, including a live Emcee were able to broadcast from their home. The recording can be viewed on the Tucson Helping Tucson website. The fund is being managed by Community Investment Corporation (“CIC”). 	<p>No action taken.</p>

<p>6. Status report related to Pima Council on Aging’s request for a Home Sharing Feasibility Study and request for resolution related thereto in an amount not to exceed \$27,500.</p> <p>L. Lucero introduced a proposal submitted by Pima Council on Aging (“PCOA”) requesting an amount of \$12,938 for a Home Sharing Feasibility Study prompted by an increase in phone calls from older adults unable to afford housing in this community.</p> <p>J. Clinco stated that a Home Sharing program can bring together homeowners with individuals seeking a shared place to live. In exchange for providing a private room in their home, the homeowner receives household assistance or rent from their housemate, or a combination of the two. According to the National Shared Housing Resource Center, there are no registered home sharing programs in Arizona.</p> <p>L. Lucero stated that PCOA proposes to conduct a feasibility study (the “Study”) and generate a report with recommendations for consideration by community leaders, government entities, and funders. PCOA will create the Study’s scope of work, hire a consultant, provide oversight and guidance to the consultant on the project, and present a comprehensive report to the community. The scope will include, researching home sharing programs across the country, including how they are funded, how they are structured, program outcomes, database platforms used, the demographics of their clientele, what fee structures are sustainable, what staffing support is needed, successful strategies for marketing programs, and how best to educate and support clients to achieve successful matches. It is anticipated that the Study will begin in June and conclude in December 2020.</p> <p>Discussion ensued and it was the consensus of the Authority to approve the investment in the Study and L. Lucero asked that J. Clinco monitor this process and report to the Authority.</p>	<p>A MOTION was made and seconded (N. Eckel / S. Barton) to approve an investment, in the amount of \$12,938, payable to Pima Council on Aging for completion of a Home Sharing Feasibility Study. Approved 6-0</p>
<p>7. Status report related to the Authority’s Loan Review Committee related to the terms and conditions associated with Participation in a loan with Business Development Finance Corporation (“BDFC”) in an amount not to exceed \$55,000 related to Pueblo Vida Brewing Co., LLC for its business to be operated at 115 E. Broadway, Tucson, Arizona 85701 and request for resolution related thereto.</p> <p>S. Barton stated that this request is a follow up from last month’s meeting where additional information was requested. S. reviewed the request from Business Development Finance Corporation (“BDFC”) for a participation in BDFC’s loan to Pueblo Vida Brewing Company, LLC (“Pueblo Vida”). As follows:</p> <p>Summary of proposed loan:</p> <ul style="list-style-type: none"> • BDFC Loan Total: \$110,000 • Participation Loan amount: \$55,000 • Purpose: Improvements, working capital, and equipment • 7 year term – 7 year amortization • 7% (6% net of 100 basis point servicing fee to BDFC) fixed • Project address: 115 E Broadway Boulevard, Tucson, Arizona 85701 <p>Discussion:</p> <ul style="list-style-type: none"> • Pueblo Vida’s sales have decreased by 15% because the business pivoted to online orders and pickups. • This was possible due to the businesses focus on can sales (retail) as opposed to kegs sales (wholesale). • Can sales are generally to individuals or stores. 	<p>A MOTION was made and seconded (S. Barton / M. Noshay-Petro) to approve participation in a loan with BDFC in an amount not to exceed \$55,000 related to BDFC’s loan to Pueblo Vida Brewing Co., LLC. Approved 6-0</p>

<ul style="list-style-type: none"> • Keg sales are generally to restaurants and bars. • As a result, can sales have continued to do well, and actually increased each week since the COVID-19 crisis. • None of Pueblo Vida’s 15 employees have been laid off and there is no intention to lay off any. • Pueblo Vida has applied for a Payroll Protection Program forgivable loan and Pueblo Vida has been approved and have received an SBA number. Those funds will be sufficient to pay for payroll for nearly 3 months. 	
<p>8. Status report related to related to the Authority’s Small Business Lending Program and request for resolution acknowledging the role of Business Development Finance Corporation (“BDFC”) and BDFC’s power to restructure loans.</p> <p>G. Molenda, President of Business Development Finance Corporation (“BDFC”) stated that the CARES Act provided for significant assistance to small businesses, sole proprietors and nonprofit organizations, including the ability to access the Payroll Protection Program (“PPP”) loans for the primary purpose of paying employee wages for the next 8 week period.</p> <p>The initial concept was to avoid additional layoffs so that employees could continue to earn a wage that is higher than the alternative (unemployment), with an eye on restarting the economy and the business to and make sure they retain all their employees, especially their key employees, so they could transition quickly back to some semblance of where they were prior to the COVID-19 crisis.</p> <p>The other major program was the Economic Impact Disaster Loan Program that is only available through the Small Business Administration (“SBA”).</p> <p>Discussion ensued regarding survival mode. The business has to survive the short-term in order to consider how to transition into an economy that is different than it was.</p> <p>First step for many businesses is survival and the PPP will help make that happen.</p> <p>Under the PPP the loan’s terms are as follows:</p> <ul style="list-style-type: none"> • A 100% forgivable loan if used for the intended purpose. • Any portion of the PPP loan not used for eligible expenses converts to a loan with a 2 year term at 1% interest and no payments for 6 months. • PPP loans are risk free from the Lenders perspective. Once the PPP loan is documented and certified, a request is made to the SBA or the Treasury and the Lender is repaid within 15 days. • Lenders have delegated authority and there is no underwriting. <p>G. Molenda stated that BDFC, together with partners including the Authority, City of Tucson (“COT”), Growth Partners Arizona, and potentially others, have been able to pool funds, to provide additional capital for the PPP Program.</p> <p>The COT, together with other partners, have established the Resiliency Fund Program that focuses on the short-term with a keen eye to the 2nd Phase of rebuilding and continuing to support businesses with capital needs and technical assistance.</p> <p>The Resiliency Fund Program will offer:</p> <ul style="list-style-type: none"> • Direct loans with a zero (0%) interest rate and flexible repayment terms to assist small businesses with other expenses ineligible under the PPP. • A short-term benefit with a longer term commitment to restart the new economy. 	<p>No action taken.</p>

<p>L. Lucero tasked S. Barton and the Loan Review Committee to meet with Gary Molenda to discuss Phase 2 and in particular the following:</p> <ul style="list-style-type: none"> • What should Phase 2 look like? • Should the Authority invest another tranche of money in the Resiliency Fund? • Technical Assistance? • Other business funding needs? <p>It was noted that the Authority can schedule a Special Meeting if urgent action is needed prior to the next Regular Meeting.</p>	
<p>9. Status report related to the Business Development Finance Corporation (“BDFC”), the United States Small Business Administration’s (“SBA”) COVID 19 Disaster Program and request for resolution related thereto.</p>	No action taken.
<p>10. Status report related to the Authority’s Strategic Planning Committee and request for resolution related thereto.</p> <p>N. Eckel reported that there has been no meeting of the Strategic Planning Committee (“Committee”) since the last report at the most recent Special Meeting. The Committee has been tasked with obtaining the scalability of short - term consumer loans. The next Strategic Planning Committee meeting scheduled on May 18, 2020.</p>	No action taken.
<p>11. Status report related to potential Arizona legislation regarding the Authority’s business including, but not limited to the Industrial Development Financing Act and Private Activity Bonding Allocation Act and request for resolution related thereto.</p> <p>L. Lucero stated that it would be beneficial for the Veridus team to attend next month’s Regular Meeting to provide an update on current legislation.</p> <p>C. Lotzar stated that the Legislature is currently in recess and it is unclear when they will reconvene or how active the Legislature will be once they reconvene.</p> <p>C. Lotzar reported that HB2732 still has a chance and could move forward. C. Lotzar reported that he has been conversing with the Governor’s office with regard to what can be done to help in the affordable housing space, including construction jobs; it was noted that the Arizona Department of Housing (“ADOH”) is under staffed and additional personnel are needed to prioritize and move projects forward. A follow up conference call is scheduled to discuss these topics.</p> <p>C. Lotzar discussed the “Action Campaign” which is focused more on low income housing tax credits (“LIHTC”) rather than private activity bonds (“PAB”). The focus now is combining the LIHTC with PAB. The way the LIHTC work is the Applicable Percentage rates float on the 4% LIHTC so that the cost of funds goes down as prevailing interest rates go down. So instead of getting a flat 4% for a LIHTC / PAB transaction today, it would be approximately 3.125% and the Applicable Percentage is trending downward. Part of the Action Campaign is to make it so that what would be received is a hard 4%. There are a number of members of Arizona’s congressional delegation on board, with Senator McSally as the lone Republican.</p> <p>The various Executive Orders, issued to date, related to the COVID-19 pandemic were reviewed.</p>	No action taken.
<p>12. 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,</p>	No action taken.

<p>and request for resolution related thereto; which may include formally ratifying the direction previously given to legal counsel.</p> <p>Block 175</p> <ul style="list-style-type: none"> • One inquiry received regarding the allowable site density. <p>450 N. Main</p> <ul style="list-style-type: none"> • 2nd half property taxes paid. • Niels Fugal Sons Company, LLC have vacated the staging area and the property has been cleaned up. <p>Block 174</p> <p>No report</p>	
<p>13. 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.</p> <p>C. Lotzar reported the following:</p> <ul style="list-style-type: none"> • Pima Tucson Homebuyer’s Solution (“PTHS”) Program had a very strong month for originations; there is currently \$7,000,000 loan volume in the PTHS pipeline of which 90% are FHA loans. • Fannie Mae and Freddie Mac are changing their underwriting guidelines in an effort to be more accessible. • Originating Lenders are putting loans on their own warehouse line of credit prior to sell to US Bank. • Originating Lenders want assurances that the loan is going to close and be sold; one reason they are more oriented toward FHA loans. • Hedges have not been an issue and are holding up well. The federal government has been the predominant buyer of the mortgage - backed securities. • Community Investment Corporation (“CIC”), as Fiscal Agent for the PTHS Program, advances the down payment assistance at closing with funds previously provided by the Authorities. CIC has been concerned about cash flow given the increase in PTHS volume. CIC indicated that they are willing to cover any shortfall of funds, provided they are reimbursed, if additional deposits are not made by the Authority and The Industrial Development Authority of the County of Pima to increase liquidity. • CIC has been instructed by the Authority and The Industrial Development Authority of the County of Pima to not make any distributions to the Authority and The Industrial Development Authority of the County of Pima until June 2020 in order to increase liquidity on hand to address the demand in the PTHS program. <p>Based on discussion, C. Lotzar recommends that the Authority adopt a resolution to authorize an additional \$50,000 deposit to the PTHS fund, held by CIC as Fiscal Agent, to ensure liquidity, with the condition that a like amount is matched by the Industrial Development Authority of the County of Pima by May 15, 2020. It was the consensus of the Authority to accept the recommendation as presented.</p>	<p>A MOTION was made and seconded (N. Eckel / S. Barton) to deposit \$50,000 to the Pima Tucson Homebuyer’s Solution account, managed by Community Investment Corporation as Fiscal Agent, to augment the PTHS Program conditioned upon a like amount to be matched by The Industrial Development Authority of the County of Pima.</p> <p>Approved 6-0</p>

<p>14. Staff Reports: Monthly Staff Report for the month ending March 31, 2020.</p> <p>K. Valdez reviewed the Tucson Housing Market Report as provided by Long Realty noting that it continues to be a seller market with decrease in inventory and an increase in the average sales price of homes.</p> <p>K. Valdez reported that the regular monthly reports have been submitted in keeping with past practices and provided the following status:</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”). Reviewed monthly reports as prepared and provided by PPS for both Block 175 and Stone & Council parking lots. Decrease in activity due to the COVID-19 Pandemic. ii. Bond Borrower’s payment of Administrative Fees. Annual assessment fees are current as of March 31, 2020. iii. Cash Management. Cash and cash equivalent accounts were reviewed. Estimated funds available at March 31, 2020, less existing commitments and recommended reserves is: \$4,469,739. iv. Loan Servicing. All loans were current as of March 31, 2020. Some Borrowers who have loans from the Authority in participation with BDFC have requested a deferment of payments as a result of the COVID-19 Pandemic. Borrowers on deferment will make no payments for 4 months; however, interest will continue to accrue. The participation loan will be re-amortized with the same loan terms. v. Those Borrowers who also have an SBA loan, are having their SBA 504 or 7a loan monthly payment paid directly by SBA for a 6 month period; which is a grant from the SBA. vi. Loan Origination. Loan to BDFC to be used to establish a fund for Payroll Protection Program (“PPP”) has been funded. <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 \$623,490,000 in mortgage-backed securities sold with more than \$26,235,000 of down payment assistance granted to homebuyers. <p>The PTHS Program has originated approximately 4,430 loans in with an aggregate loan amount of approximately \$642,612,883.</p> <ul style="list-style-type: none"> ii. The Industrial Development Authority of the City of Tucson, Arizona The Industrial Development Authority of the County of Pima Tucson P2P Program (the 	<p>No action taken.</p>
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<p>“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 (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.</p> <p>As of December 31, 2019, the Tucson P2P Program has been fully originated.</p> <p>The Tucson P2P Program has originated approximately 2380 loans since inception in 2016, with an aggregate loan amount of \$357,089,000 and generating over \$34,900,000 in down payment assistance.</p> <p>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.</p> <p>iv. The 7% 2nd Mortgage Loans originated in connection with:</p> <p>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).</p> <p>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).</p> <p>C. Lotzar reviewed an Article regarding what is happening with municipal bond markets as follows:</p> <ul style="list-style-type: none"> • There has been a liquidity crunch, especially in the secondary market. • There is a big discrepancy between the bid and the ask price on bonds. • The secondary market folks that are looking to get liquid are having difficulty selling their bonds, because they do not want to take the loss associated with the market interest rates. <p>L. Lucero reported the appointment of Betty Villegas to fulfill the term left vacant after the passing of Richard Elias.</p> <p>L. Lucero stated that the marketing committee (P. Schwabe, L. Lucero) will need to convene a conference call next week to discuss marketing, and a possible proposal from Kaneen Communications for maintaining the Authority’s website and continued News Releases.</p>	
<p>15. Adjourn</p>	<p>A MOTION was made and seconded (S. Barton / N. Eckel) to adjourn the meeting at 4:20 p.m. Motion carried</p>

Submitted by:
Karen J. Valdez
BDFC Advisor Services, LLC

Approved by:
Larry Lucero, President
the Industrial Development Authority of the
City of Tucson, Arizona