



**The Industrial Development Authority
of the City of Tucson, Arizona**

**REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF TUCSON, ARIZON**

**Thursday, July 16, 2020
3:00 p.m.**

Minutes

- Present: Board Members** Larry Lucero
Judy Clinco
Sandra Barton
Neal Eckel
- Absent** Melissa (“Mimi”) Noshay-Petro
Patricia Schwabe
- Advisors** Charles Lotzar, Lotzar Law Firm, PC
Gary Molenda, BDFC Advisor Services, LLC
Karen Valdez, BDFC Advisor Services, LLC
- Guests** Scott Riffle, Stifel Public Finance
Mike Czechowski, City of Tucson

Open Meeting: Due to the impacts of the COVID-19 pandemic, which have prompted declarations of a public health emergency at both the State and Federal levels, the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “Authority”) Regular Meeting was conducted using measures to protect public health. Social distancing practices were used. This Regular Meeting was held remotely through Zoom based telephone conference call, as permitted under Arizona law. Members of the public were not allowed to attend the Regular Meeting in person. Members of the public could attend and listen to the Regular Meeting by a Zoom based conference telephone call.

ITEM	ACTION TAKEN/TO BE TAKEN
1. Call to Order	The meeting was called to order at 3:01 p.m.
2. Request for resolution to approve the Minutes of the Regular Meeting of June 18, 2020 and Special Meeting of June 25, 2020.	A MOTION was made and seconded (N. Eckel / J.

	<p>Clinco) to approve the minutes of the June 18, 2020 Regular Meeting and the June 25, 2020 Special Meeting as presented. Approved 4-0</p>
<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 the following payments that were approved in advance at the June 18, 2020 Regular Meeting and the June 25, 2020 Special Meeting:</p> <ul style="list-style-type: none"> • \$2,994 for Excess & General Liability coverage. • \$23,632.80 for Director & Officers Liability coverage, • \$400,000 to the Pima Tucson Homebuyer’s Solution (“PTHS”) Program to be used for operation of the PTHS Program. 	<p>A MOTION was made and seconded (N. Eckel / S. Barton) to approve payment of invoices, as presented. Approved 4-0</p>
<p>4. Status report 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 reviewed a request from Business Development Corporation (“BDFC”) to authorize an additional 3 months deferral of Gibson’s Market (“Gibson’s”) loan payments, based on factors directly related to COVID-19 issues effecting downtown businesses. Gibson’s continues to be a cooperative borrower. G. Molenda recommends the Authority approve extending the deferral term to 6 months.</p> <p>Discussion ensued regarding:</p> <ul style="list-style-type: none"> • Downtown office closures due to the “Stay at Home” orders. • University of Arizona closure for the summer. • Hotel Congress and Maynard’s Market are closed until September 2020. • In August – September the downtown population may return to normal, including new residents with the completion of the Rendezvous Urban Flats. <p>N. Eckel stated that the Monthly Staff Report reflects that approximately 6 participation loan borrowers have been granted deferments. Mr. Eckel asked if it would be beneficial to authorize BDFC to grant deferments to them all at this time or as needed. Mr. Eckel noted that the deferments are temporary and the COVID-19 pandemic is beyond anyone’s control.</p>	<p>A MOTION was made and seconded (N. Eckel / S. Barton) to approve BDFC’s request related to Gibson’s Market as presented and to grant BDFC the power to address issues as needed and offer the same deferral terms to other participation loan borrowers based on BDFC’s analysis and recommendation Approved 4-0</p>

<p>Discussion ensued and it was the consensus of the Authority to grant BDFC the power to address issues as needed and offer the same deferral terms to other participation loan borrowers based on BDFC’s analysis and recommendation.</p>	
<p>5. Status report concerning a participation loan made by Business Development Finance Corporation (“BDFC”) with the Authority in the original amount of \$150,000 to COBROS III, LLC, an Arizona limited liability company trademarked to do business as “Desert Horizons Communities”, located at 4901 E. 5th Street, Tucson, Arizona 85711 (the “Borrower”), BDFC’s recommended servicing action(s), and request for resolution related thereto.</p> <p>S. Barton reviewed a request received from Business Development Finance Corporation (“BDFC”) related to the Authority’s participation loan with BDFC for the benefit of the Desert Horizon Communities. In May 2016 the participation loan was originated for the purpose of purchasing and remodeling a 2 story office building on property consisting of 4 contiguous parcels. The Borrower is paying as agreed. The Borrower is requesting a subordination of the participation loan to new first lien loan from Great Western Bank in the amount of \$290,000, the proceeds of which will be used to fund the installation of solar panels covering 2 parking lot sections. The new loan will have a 10 year term and amortization.</p> <p>The solar project valuation is based on an annual utility savings of \$18,000. The combination of the increase in collateral value and the paying-down of the existing loans has resulted in a lower loan to value (“LTV”) with the proposed debt minimally increasing total lien amount in comparison to the original participation loan.</p> <p>The Borrower’s projected ability to pay debt service for the existing and proposed debt is adequate, with an acceptable LTV for secondary repayment at 68%.</p> <p>It was noted that it is typical in BDFC programs to subordinate when the purpose of the loan is for reasonable project improvements and is justified by acceptable proposed debt service coverage ratio and the loan to value ratio. S. Barton stated that these requirements have been met and the Authority’s Loan Review Committee recommends approval of BDFC’s recommendation.</p>	<p>A MOTION was made and seconded (S. Barton / N. Eckel) to accept BDFC’s recommended servicing action as presented. Approved 4-0</p>
<p>6. 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.</p> <p>450 N. Main:</p> <p>C. Lotzar reported that he was contacted by Mike Figueroa, Managing Director of Intuitive Capital, who now owns the property commonly known as 459 Granada.</p>	<p>No action taken.</p>

<p>C. Lotzar stated that clarification has not been received from the City of Tucson. However, the 48-month period described in Section 12 of the Sale & Development Agreement is close to running out.</p> <p>Block 175:</p> <p>L. Lucero reported that chicanes are under constructions at the corner of Franklin and Court. The chicanes will slow traffic. The chicanes were funded by Tucson Clean and Beautiful, and approved by City of Tucson. The El Presidio Neighborhood Association has also endorsed the improvements.</p> <p>Block 174:</p> <p>No update.</p>	
<p>7. 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>L. Lucero stated that on the commercial loan borrowers are tremendous challenges. However, residential borrowers have a different scenario. The Pima Tucson Homebuyer’s Solution (“PTHS”) Program is experiencing tremendous volume.</p> <p>C. Lotzar stated that the good news is that volume has increased to \$10,000,000 last week alone. This increase in volume is causing a cash flow crunch strain for the Authority and The Industrial Development Authority of the County of Pima (the “Pima IDA”). The increase in volume is having an effect on the PTHS Program’s Fiscal Agent, Community Investment Corporation (“CIC”); which must be addressed.</p> <p>C. Lotzar reviewed an article from the Wall Street Journal and the PTHS Rate Sheet; which shows the PTHS Program beating the Wall Street Journals reported low mortgage loan interest rate. C. Lotzar explained that there is a cash flow crunch, in part, due to the increased length of time from the mortgage loan’s acquisition by US Bank through the mortgage loan’s subsequent resale as a mortgage backed security (“MBS”). Originally the time frame was in the 35 to 40 day period; currently it is at a 75 to 80 day period for the MBS sale process to occur. The PTHS Program has held up well and it is fair to say that it has out competed its competitors. At the Regular Meeting held June 25, 2020, the Authority approved \$400,000 of additional capital to the PTHS Program. The Pima IDA contributed \$200,000 in June and in July contributed an additional \$750,000 to the PTHS Program. At this point in time, the delta between the Authority’s and the Pima IDA’s contributions is \$550,000.</p>	<p>A MOTION was made and seconded (S. Barton / J. Clinco) to approve an amount of up to \$750,000 to be contributed to the PTHS Program as needed, and to the extent matched by the Pima IDA. Approved 4-0.</p>

S. Riffle reported that he canvassed Lenders opinions as to the market and noted that the PTHS Program is doing quite a community service. Affordable housing stock is very low and cash buyers are winning the day. So much so that sellers are not giving any closing cost concessions. In order to compete for the home, the PTHS Program's homebuyers need assistance for down payment or closing costs. Manufactured housing is getting a lot of attention as an affordable housing option. At this time, the PTHS Program's mechanisms used to price the loans are better than they have been in the past, resulting in rates below market mortgage loan interest rate. S. Riffle stated these are all great problems to have.

Continued discussion includes the following:

- Over the past year, the average loan amount has increased from approximately **\$148,000** to approximately **\$196,000**.
- For the last **6** months, the PTHS Program offered the lowest rates across all loan options.
- Borrower must have a **640** FICO to qualify for the PTHS Program. Under the PTHS Program all qualified borrowers are entitled to the low interest rate; while competing loan programs give the lowest mortgage interest rates to borrowers with high FICO scores, e.g. above **720** FICO.
- Fannie Mae's and Freddie Mac's forbearance concern has not materialized.

C. Lotzar has reached out to US Bank and made a request to have a **2nd** sale of MBSs for each of the next **3** months, noting that Stifel Public Finance is up to the task and are willing to accommodate this request.

C. Lotzar recommends the Authority authorize an additional capital contribution of **\$750,000**. A first draw of **\$550,000** will bring the Authority to the same level of contributed capital as the Pima IDA. The additional **\$200,000** will be held in reserve to be used as the need arises.

Currently, the Authority has approximately **\$2,976,000** of unencumbered funds available for investment. If **\$750,000** is contributed to the PTHS Program, then the Authority will have **\$2,226,000** to invest.

No one knows how long COVID-19 will last, but the PTHS Program should get back to equilibrium prior to yearend.

L. Lucero stated that his concern was how quickly the Authority's capital could be returned. It appears the pace of reimbursement will be fairly rapid. He would like the Authority to be in a position to continue to participate at a high enough level. A challenge will be the lack of affordable housing stock.

8. Adjourn

A **MOTION** was made and seconded (N. Eckel / J.

Next Regular Meeting is scheduled on Thursday, **August 20, 2020** via Zoom.

Clinco) to adjourn the meeting at **3:54 p.m.**
Approved 4-0

Submitted by:

Approved by:

Karen J. Valdez
BDFC Advisor Services, LLC

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