

Meeting Minutes
ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING

Location: In-Person Meeting at CO+HOOTS
221 East Indianola Avenue, Phoenix, Arizona 85012
In the “Classroom”

Date and Time: Thursday, October 19, 2023
4:00 p.m.

Board Members Present (Appearing in Person):

David Castillo
Marcel Dabdoub
Robin Romano

Board Members Absent:

Ken Burns
Lea Márquez Peterson

Staff Present (In Person):

Dirk Swift, Executive Director
Dan Dialessi, Chief Financial Officer
Pat Ray, Cathedral Rock Issuer Services, Bond Program Manager

Meeting Facilitator:

Kelly McGuire – Kutak Rock LLP

Presenters:

Ben Taylor – Lincoln Avenue Capital
Ryan Kelly – TWG Development
Stephen Wang – Mizuho

Actions:

1. **Call to Order:**

The meeting was called to order by Robin Romano, President of the Board of the Arizona Industrial Development Authority (AZIDA), at 4:00 p.m. Board members David Castillo, Marcel Dabdoub and Robin Romano participated in person. Board members Ken Burns and Lea Márquez Peterson were absent. Roll was called by Kelly McGuire, as meeting facilitator, and a quorum was declared present.

2. **Adoption of Minutes of the September 21, 2023, AZIDA Board Meeting**

Board member **David Castillo** moved to adopt the minutes of the September 21, 2023, AZIDA Board Meeting. Board member **Marcel Dabdoub** seconded the motion.

The Board members were individually polled – David Castillo (yes), Marcel Dabdoub (yes), Robin Romano (yes), and by a vote of 3-0 the motion passed.

3. **Agenda Items Considered:**

Presentation, Discussion & Adoption

Approval of Resolution No. 2023-35 – Authorizing final approval of the issuance of not-to-exceed \$75,000,000 of Multifamily Housing Revenue Notes (Cottonwood Ranch Apartments Project), in one or more tax-exempt and/or taxable series, for the benefit of Cottonwood Ranch Apartments, LP.

Ben Taylor with Lincoln Avenue Capital (“LAC”) provided an update to the board. Cottonwood Ranch Apartments will be a 200-unit new construction multifamily housing rental project located on approximately 15 acres in Casa Grande, Arizona. The property will be equipped with almost a megawatt of solar production that will offset approximately 70% of all electrical consumption at the property. The financial closing for the project and the start of construction is anticipated to occur on December 6th of this year.

Robin Romano asked if the TEFRA approval was still in process. Ms. McGuire stated that TEFRA approval from the Governor’s office has been granted.

Marcel Dabdoub asked if it is a requirement for tax-exempt bond issuances to have either a 4% or 9% tax credit requirement. Tim Nash with Kutak Rock acting as bond counsel on the financing explained that as a technical matter there is no requirement that tax-exempt bonds qualify for 4% tax credits, but it is common to have tax-exempt bonds with a 4% tax credit component. Nine percent tax credits, on the other hand, exist on their own and cannot be combined with tax-exempt bonds.

Marcel Dabdoub how a project remains eligible for tax-exempt bonds even if not coupled with 4% or 9% tax credits once an affordable housing project receives final approval from AZIDA. Mr. Nash explained that one of the requirements of federal tax law is that the project owner make an irrevocable set aside of project units at closing. Either 20% of the units must be set aside for households earning at or below 50% of the area median income (“AMI”) or 40% of the units must be set aside for households earning at or below 60% AMI. Those set asides are recorded against the project and run with the land. Additionally, when there is a 4% tax credit component, there are also rent limitations that are recorded and encumber the project.

David Castillo applauded the project’s use of solar power and asked how the solar is intended to be incorporated, in particular with regard to the energy cost burden for the residents, in light of recent action taken by the Arizona Corporation Commission. Mr. Taylor responded that LAC has been working with local solar consultants and engineers through that process and APS will be the utility provider at the property. The solar

component will offset approximately 70% of consumption at the property but will offset only approximately 40% of electricity costs. Residents will not have an electric bill. Electricity will be entirely paid by the property owner.

David Castillo asked if there is any risk that electric costs will revert back on to the residents in light of Arizona Corporation Commission action. Mr. Taylor responded that there is no risk that electric costs would revert back to the residents for among other reasons, because metering cannot be done on a per-unit basis. Ownership is and will remain responsible for paying all electrical costs.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2023-35, as presented. Board member **David Castillo** seconded the motion.

The Board members were individually polled – David Castillo (yes), Marcel Dabdoub (yes), Robin Romano (yes), and by a vote of 3-0 the motion passed.

Presentation, Discussion & Adoption

Approval of Resolution No. 2023-36 – Authorizing final approval of the issuance of not-to-exceed \$20,000,000 of Multifamily Housing Revenue Bonds (Unity at West Glendale Project), in one or more tax-exempt and/or taxable series, for the benefit of TWG Glendale, LP.

Ryan Kelly with TWG Development provided an update to the board. TWG Development is a development and management company based in Indiana. This will be the second project TWG Development has developed in Arizona. Unity at West Glendale will be a 105-unit new construction multifamily residential project in Glendale, Arizona. Eight units will be set aside for households earning less than or equal to 50% AMI with the remaining required set-aside units being set aside for households earning at or below 60% AMI. The project has also received support from the Arizona Department of Housing.

Robin Romano expressed that she was glad to see a project so centrally located in Glendale.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2023-36, as presented. Board member **David Castillo** seconded the motion.

The Board members were individually polled – David Castillo (yes), Marcel Dabdoub (yes), Robin Romano (yes), and by a vote of 3-0 the motion passed.

Presentation, Discussion & Adoption

Approval of Resolution No. 2023-37 – Authorizing final approval of amendments to documents related to the Authority's previously issued \$90,400,000 Healthcare Facilities Taxable Revenue Bonds (Rosewood Portfolio), Series 2020A, and \$25,000,000 Healthcare Facilities Taxable Revenue Bonds (Rosewood Portfolio), Series 2020B, at the request of Lake Cook Road LLC, the obligated group representative of a 13-member obligated group.

Stephen Wang of Mizuho gave an update to the board. Rosewood Portfolio was a privately placed, non-rated taxable transaction that closed in 2020, when the borrower won an RFP issued by HUD to acquire the distressed assets. Mizuho is the sole bondholder of the bonds.

The borrower is currently in talks with Cascade Capital Group (“Cascade”), the owner of 48 continuing care facilities in the Chicago area and a top tier operator with extensive experience in the market, regarding entering into a five-year lease. The amendments to the transaction documents are needed to align their terms with the proposed lease. The board is being asked to approve amendments that extend the current put date to five years from the signing of the new lease, convert from a fixed rate to a floating rate, amend the debt service coverage ratio to a lease coverage ratio, and convert the loan to interest only.

Robin Romano asked if converting to an interest only structure will provide Cascade an opportunity to create positive cash flow. Mr. Wang responded in the affirmative. Ms. Romano then asked if there is a margin index. Mr. Wang explained that the spread will start with a margin of 3% for the first year and will step up to 4.75% thereafter. The lower margin in the first year will align with the lease. Ms. Romano then asked Mr. Wang to explain the change from a debt service coverage ratio to a lease coverage ratio test. Mr. Wang explained that a typical debt service coverage ratio would just look at the net income generated by the property versus the debt service coverage requirement for the bonds. Here there is a lease coverage ratio such that the lease payments should be at a level that will be above the debt service coverage on the bonds.

Ms. Romano then asked if Cascade was being brought in to help get one of the portfolio properties off of an increased oversight list. Mr. Wang confirmed that Cascade will be helping the borrower get that property off the Focus List.

Mr. Dabdoub asked how the amendments are impacting AZIDA and if there is something the board should be worried about. Ms. McGuire stated that the amendments only affect the business deal between the borrower and the lender. The amendment just allows the borrower and lender to implement a better structure for the financing and does not affect any of the provisions that impact the AZIDA.

Board member **David Castillo** then motioned to approve Resolution No. 2023-37, as presented. Board member **Marcel Dabdoub** seconded the motion.

The Board members were individually polled – David Castillo (yes), Marcel Dabdoub (yes), Robin Romano (yes), and by a vote of 3-0 the motion passed.

4. **Executive Director’s, Chief Financial Officer’s and/or Program Manager’s Reports**

Dirk Swift provided the board with an update on the Arizona Auditor General’s follow-up questions. Mr. Swift reminded the board that the next yearly review starts in February of 2024. Mr. Swift also called to the board’s attention that the newly remodeled AZIDA website link will be shared with the board shortly and the board is welcome to provide feedback. Mr. Swift assured the board that any costs associated with the website remodel are included in AZIDA’s contract with TerBush Creative LLC. Mr. Swift then requested the board instruct him on how best to communicate with the newly formed committees.

Mr. Swift told the board that he will be sending out “save the dates” for future board meetings. Mr. Swift also asked the board if there are assistants that he should be sending calendar invites and other information to. Mr. Castillo indicated that it would be very

helpful to share that information with his assistant. Mr. Castillo then asked for assistance with accessing the SharePoint file and proposed that a board member portal be added to the AZIDA website. Mr. Swift noted that suggestion.

Mr. Swift then told the board that the December meeting would need to be moved from the 21st to the 14th.

Mr. Dabdoub asked staff if the board should be identifying certain categories of projects in particular need and solicit applications for projects in those categories. Mr. Swift said that there is a list of projects the Governor would like to see financed and the new online application on the website will allow applicants to indicate the type of public benefit their project provides. Mr. Ray added that the board may issue bonds for any project, the board can decide what types of projects it accepts, and he can work to get the word out to borrowers/lenders for those types of projects. Historically AZIDA has been receptive, but staff can reach out if there are particular types of projects the board wants to see. Mr. Castillo added that it seems to be who you know on what projects are brought to the board, but the board should be mindful of where resources are needed, specifically on tribal trust lands. Mr. Castillo provided insight on the type of housing options that are available on tribal trust lands and noted there is more work to be done in allocating much needed resources to those who need it most.

5. **Call to the Public**

Kelly McGuire announced a call to the public for comments.

No members of the public appeared in person or by telephone to comment.

6. **Announcements**

Ms. Romano announced that the next meeting of the Arizona Industrial Development Authority is scheduled to be held on Thursday, November 16, 2023, in the same location, at 4:00 p.m., but noted that people should consult the Arizona IDA website for any changes to meeting details.

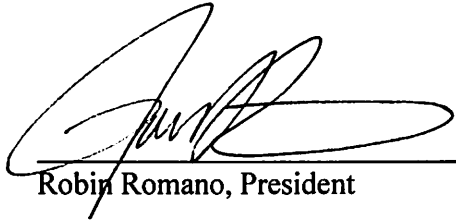
7. **Adjournment**

Board member **David Castillo** motioned for adjournment of the AZIDA Board Meeting at 4:51 p.m. Board member **Marcel Dabdoub** seconded.

The Board members were individually polled – David Castillo (yes), Marcel Dabdoub (yes), Robin Romano (yes), and by a vote of 3-0 the motion passed.

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Approval: The undersigned hereby certifies that the Board of Directors of the Arizona Industrial Development Authority formally adopted these Minutes on the date shown below.



Robin Romano, President

November 16, 2023
Date of Board Action