

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, December 14, 2023  
4:00 p.m.

Board Members Present (Appearing in Person):

Ken Burns

Board Members (Appearing via Zoom)

David Castillo

Marcel Dabdoub

Lea Márquez Peterson

Board Members Absent:

Robin Romano

Staff Present (In Person):

Dirk Swift, Executive Director

Dan Dialessi, Chief Financial Officer

Pat Ray, Cathedral Rock Issuer Services, Bond Program Manager

Meeting Facilitator (Appearing via Zoom):

Kelly McGuire – Kutak Rock LLP

Presenters (Appearing telephonically):

Sally Schwenn – Gorman USA

Ean Dubrowsky – Related Companies

Alex Guyott – Hensel Phelps

Josh Hole – OnCentive

Harold Patterson – Doxa, Inc.

Kevin Sturgeon – Roers Companies

Presenters (Appearing In Person):

Kaitlyn Tveit – Dominion, Inc.

**Actions:**

1. **Call to Order:**

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

2. **Adoption of Minutes of the November 16, 2023, AZIDA Board Meeting**

Board member **Lea Márquez Peterson** moved to adopt the minutes of the November 16, 2023, AZIDA Board Meeting. Board member **David Castillo** seconded the motion.

David Castillo mentioned that he was correctly shown as absent from the November 16, 2023, meeting in the minutes, however, he was excused. He understands there are no penalties for being absent in the Bylaws, but he wanted to ensure this was communicated.

By a vote of 3 ayes, 0 opposed and 0 voiced abstentions (Mr. Castillo, joining virtually, did not register a vote), the motion passed.

3. **Agenda Items Considered:**

*Presentation, Discussion & Adoption*

*Approval of Resolution No. 2023-52 – Approving an amendment to Resolution 2021-56, which granted preliminary approval to the issuance of not-to-exceed \$15,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued to finance a qualified residential rental facility to be located in Prescott, Arizona, to grant an extension of preliminary approval, for the benefit of Fort Whipple Veteran’s Housing, LLC.*

Sally Schwenn of Gorman Companies (“Gorman”) provided an update on the status of the project to the Board. Gorman is developing the project in partnership with the nonprofit organization, U.S. Vets. The project, procured by the Veterans Administration, originally included redevelopment of six buildings of officers’ quarters that were built in the early 1900s and new construction of a separate 80-unit facility all to serve veterans in Prescott. However, going forward, the project will be comprised of only the new construction component as Gorman was able to obtain a tax credit allocation earlier this year for the renovation of the historic officers’ quarters.

Ken Burns clarified that Gorman is no longer doing the renovations to the officers’ quarters. Ms. Schwenn confirmed the renovations to the officer’s quarters would still be taking place, but those renovations were not being bond-financed, as that portion of the project had just received a 9% tax credit allocation from the Department of Housing allowing the redevelopment to be divided into phases.

Board member **Lea Márquez Peterson** then motioned to approve Resolution No. 2023 -52, as presented. Board member **Marcel Dabdoub** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed.

Presentation, Discussion & Adoption

*Approval of Resolution No. 2023-53 – Approving an amendment to Resolution 2022-30, which granted preliminary approval to the issuance of not-to-exceed \$30,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued to finance a qualified residential rental facility to be located in Chandler, Arizona, to grant an extension of preliminary approval, for the benefit of Villas on McQueen, LLC.*

Sally Schwenn of Gorman Companies reminded the Board that the Villas on McQueen project is being co-developed with the City of Chandler. The project is being financed under the Rental Assistance Demonstration (RAD) program through the U.S. Department of Housing and Urban Development (HUD). Existing public housing units will be incorporated into the new construction project to be located near Chandler Boulevard and McQueen Road. RAD transactions are complex, and the process is lengthy, however, the project is permit-ready and the HUD financing plan has been submitted. Gorman anticipates closing the financing in spring 2024. The project will be comprised of 157 units consisting of one-, two-, three-, four- and five-bedroom units. A total of 78 residents will be moved from two of the City of Chandler’s existing public housing sites and relocated to the project, with the balance of the units being the typical 60% low-income housing tax credit units. Gorman will also use 4% federal low-income house tax credits and state low-income housing tax credits in the financing.

Marcel Dabdoub confirmed that there will be a total of 157 units and that 78 of those units would be occupied by tenants transferred from existing public housing. He then asked if the remaining 79 units would follow AMI guidelines. Ms. Schwenn explained that all units would be at 60% AMI.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2023-53, as presented. Board member **Lea Márquez Peterson** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed. (Mr. Castillo, attending virtually, indicated approval through use of the "thumbs up" emoticon which appeared on the Zoom video display.)

Presentation, Discussion & Adoption

*Approval of Resolution No. 2023-54 – Authorizing preliminary approval of not-to-exceed \$34,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series, to assist in financing a qualified residential rental project located in Phoenix, Arizona, for the benefit of Hacienda Senior Housing, LP.*

Ean Dubrowsky of Related Companies (“Related”) informed the Board that the proposed project is the acquisition and rehabilitation of an existing 146-unit, 100% project-based Section 8 property built in 1985. The property has been nearly fully occupied since it was built. All units are currently restricted to 50% AMI. The financing will fund an in-place renovation and rehabilitation with the aim of extending the useful life of the buildings by

replacing the roof and providing accessibility, which will increase resident safety. A local nonprofit, Rainbow House, will be brought in to expand the scope of services offered to residents. Mr. Dubrowsky explained that Related, founded in 1972, is currently one of the largest owners of affordable multifamily housing in the country and has a great deal of experience utilizing 4% low-income housing tax credits and tax-exempt bonds to improve properties and extend affordability commitments.

Ken Burns asked how Related plans to renovate the project while it's fully occupied. Mr. Dubrowsky explained that there are a few vacant units that will be converted into "temporary hotels" in which residents can live while their unit is being renovated. The property plans to provide residents with clean linens, bedding, televisions, and internet, plus assistance with packing and moving.

Marcel Dabdoub asked if there was an existing loan on the project. Mr. Dubrowsky replied that there is an existing loan, and it would be paid off with the new financing which would be used for both the renovation and acquisition.

Board member **Lea Márquez Peterson** then motioned to approve Resolution No. 2023-54, as presented. Board member **Marcel Dabdoub** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed. (Mr. Castillo, attending virtually, indicated approval through use of the "thumbs up" emoticon which appeared on the Zoom video display.)

*Presentation, Discussion & Adoption*

*Approval of Resolution No. 2023-55 – Authorizing preliminary approval of not-to-exceed \$60,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series, to assist in financing a qualified residential rental project located in Coolidge, Arizona, for the benefit of Coolidge AZ Apartments, LLC.*

Alex Guyott of Hensel Phelps Development ("Hensel") informed the Board that Hensel is a member of Coolidge AZ Apartments LLC. The proposed new construction project will be located in Coolidge and be comprised of a mix of two- and three-story buildings, with the two-story buildings located along the perimeter of the project as preferred by the City. The buildings will contain 336 multifamily garden-style, walk-up units consisting of 150 two-bedroom units and 186 three-bedroom units. Project amenities will include a full clubhouse, fitness center with a pool, and a playground, as well as open space and recreational area. The project is 100% affordable housing with 60% AMI rent and income limits. Hensel is pursuing 4% federal low-income tax credits as well as gap funding through the State Housing Trust Fund. Hensel is going through the entitlement process and expects to be fully permitted by October 2024. The projected closing date is the end of October 2024, with construction to start shortly thereafter.

Mr. Castillo asked where he could find more information about the project. Mr. Guyott encouraged Mr. Castillo to reach out to him for more information. Ms. McGuire added that if there were specific information the Board wanted to see prior to meetings, Board

expectations can be discussed. Mr. Swift noted that discussion can take place during staff reports.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2023-55, as presented. Board member **Lea Márquez Peterson** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed. (Mr. Castillo, attending virtually, indicated approval through use of the "thumbs up" emoticon which appeared on the Zoom video display.)

*Presentation, Discussion & Adoption*

*Approval of Resolution No. 2023-56 – Authorizing preliminary approval of not-to-exceed \$30,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series, to assist in financing a qualified residential rental project located at multiple sites in Pinal County, Arizona, for the benefit of SMDB LIH 1, LLC.*

Harrold Patterson, developer's representative, gave a description of the proposed project to the Board and offered to entertain Board members questions. Mr. Dabdoub noted that he had discussed this item with Ms. Romano, who was unable to attend the meeting, and they both had a lot of questions. He first confirmed with Mr. Patterson that the request was for \$30,000,000 of bonds to be used to build 30 single-family homes. He further inquired what the total cost of the project would be if \$30,000,00 is only the debt portion and doesn't include equity. Mr. Patterson noted that their budgeting was based on construction projects his company is currently working on, many of which are tribal. Mr. Dabdoub followed up by noting that even if he assumed the debt was 80% of the total project costs, the cost per house would be approximately \$1.25 million, to which Mr. Patterson responded that the amount sounded high. Another principal of the developer, Josh Hole, noted that \$10,000,000 of the \$30,000,000 requested would be used for the geothermal component of the project.

Mr. Dabdoub then asked, if he assumed the entire project cost for the housing component was \$30,000,000, how low-income housing tenancy would work when each house is a million-dollar house. Mr. Patterson responded that a lot of the cost is covered by equity and that the developer intends to self-fund a majority of the costs and hold the bonds internally. Mr. Dabdoub asked again for confirmation that his understanding was correct, the request was for \$30,000,000 of bonds that the developer plans to hold itself and the proceeds would be used to fund construction of 30 single-family homes to be rented under low-income housing guidelines. Mr. Patterson agreed that was correct. Mr. Dabdoub expressed his surprise at the high cost considering the units would be affordable and noted that other projects approved by the Board seemed to run at \$200-\$250 per square foot. He then stated that the Board needed more information to better understand how \$1,000,000 cost per home makes sense, even if the bonds are expected to be held internally – how the cost of each house can be \$1,000,000 when they are intended to be affordable housing.

Mr. Castillo asked what the cost per square foot would be. Mr. Dabdoub responded that he had read the houses were going to be 1,300 square feet each, so the cost would be about \$740 per square foot. Mr. Castillo responded that that number couldn't be right. Mr.

Patterson interjected that a portion of the total project costs relates to the energy component and stated that the housing and energy components were separate revenue streams and that energy would be sold back into the grid.

Kelly McGuire, as meeting facilitator, asked the Board if they wanted to table the item.

Mr. Dabdoub replied in the affirmative and requested that the developer team provide the Board information that shows the energy component reducing the amount owed on the bonds such that the rents paid by low-income housing tenants would cover debt service. Mr. Patterson agreed to provide the information.

Mr. Dabdoub added that he had read the description of the geothermal component and understood that it would cause the cost of the housing units to be higher than the Board typically sees, but it would be helpful for the Board to be comfortable that the numbers work.

Mr. Castillo noted that Mr. Dabdoub had answered his earlier question about the cost per square foot and he wanted the developer to provide the answer. Mr. Patterson replied that the number was not actually as high if we were looking at just the housing component—then it is about \$400-\$500 per square foot. Mr. Castillo responded that he agreed more information was needed prior to the Board making a decision on the project.

Ms. Márquez Peterson advised that if the project was brought back to the Board for consideration, she would need to recuse herself due to her position as a commissioner on the Arizona Corporation Commission.

Board member **Marcel Dabdoub** made a motion to table Resolution No. 2023-56, as presented. Board member **David Castillo** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed.

*Presentation, Discussion & Adoption*

*Approval of Resolution No. 2023-57 – Authorizing final approval to the issuance of not-to-exceed \$75,000,000 of Multifamily Housing Revenue Bonds (Sierra on 66 Apartments Project), in one or more tax-exempt and/or taxable series, for the benefit of Roers Flagstaff Apartment Owner LLC.*

Kevin Sturgeon of Roers Companies (“Roers”) shared that the proposed project was a new construction project to be located in Flagstaff, Arizona, and comprised of 221 one-, two- and three-bedroom units, all set aside for tenants at or below 60% AMI. The community will include a fitness center, playground, tot lot, dog run, grill area and other amenities for tenant use. Roers plans to close the transaction prior to the end of the year.

Ken Burns stated he is happy to see a low-income housing project in Flagstaff with the current housing shortage.

Marcel Dabdoub asked about the lender on this financing. Mr. Sturgeon responded that Ready Capital is financing the construction and permanent debt and further shared that WNC is the investor purchasing the low-income housing tax credits.

Board member **Lea Márquez Peterson** then motioned to approve Resolution No. 2023-57, as presented. Board member **Marcel Dabdoub** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed. (Mr. Castillo, attending virtually, indicated approval through use of the "thumbs up" emoticon which appeared on the Zoom video display.)

*Presentation, Discussion & Adoption*

*Approval of Resolution No. 2023-58 – Authorizing final approval to the issuance of not-to-exceed \$130,000,000 of Multifamily Housing Revenue Bonds and Notes (67 Flats Project), in one or more tax-exempt and/or taxable, senior, equity bridge, and/or subordinate series, for the benefit of Glendale Leased Housing Associates I, LLLP.*

Kaitlyn Tveit of Dominion presented the project to the Board. Ms. Tveit shared that the 67 Flats project will be located in Glendale, Arizona, and is comprised of the new construction of 14 separate residential buildings containing 384 units of family workforce affordable housing to serve households at 50-60% AMI. The project has received its low-income housing tax credit award and is planning to close the financing prior to the end of the year.

Marcel Dabdoub asked how the project is being phased based on its size. Ms. Tveit responded that all of the construction will start at the same time, but occupancy will be broken into three phases. Each phase will lag about two to three months behind the others. A certificate of occupancy would be issued at the completion of each phase to allow residents to move into those spaces. Mr. Dabdoub then asked how many units would need to be leased up on a monthly basis to obtain stabilization and cover debt service. Ms. Tveit responded that, because of the phased occupancy, the lease-up period can begin prior to construction being completed on all buildings. She also shared that Dominion recently completed construction on two other projects in the Valley and 100% of the units at both projects were 100% pre-leased before tenants could see the units. She noted that Dominion does not have any concerns about the lease-up.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2023-58, as presented. Board member **Lea Márquez Peterson** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed. (Mr. Castillo, attending virtually, indicated approval through use of the "thumbs up" emoticon which appeared on the Zoom video display.)

*Presentation, Discussion & Adoption*

*Approval of Resolution No. 2023-59 – Authorizing final approval to the issuance of not-to-exceed \$80,000,000 of Multifamily Housing Revenue Bonds and Notes (Juniper Square Project), in one or more tax-exempt and/or taxable, senior, equity bridge, and/or subordinate series, for the benefit of Glendale Leased Housing Associates II, LLLP.*

Kaitlyn Tveit of Dominion informed the Board that Juniper Square is the senior occupancy counterpart to the 67 Flats general occupancy project discussed during the previous agenda item. Juniper Square will be the new construction of 221 units to serve 50-60% AMI senior households. The project has received its 4% federal low-income housing tax credit award and plans to close the financing prior to the end of the year.

Board member **Lea Márquez Peterson** then motioned to approve Resolution No. 2023-59, as presented. Board member **Marcel Dabdoub** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed. (Mr. Castillo, attending virtually, indicated approval through use of the "thumbs up" emoticon which appeared on the Zoom video display.)

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

Dirk Swift informed the Board that AZIDA had not yet heard from the Arizona Auditor General regarding the six-month review.

Mr. Swift shared the new AZIDA website would be launched in January 2024.

Mr. Swift gave a quick presentation to the Board regarding a possible single-family mortgage revenue bond program. There was not time to prepare a more formal presentation for action by the Board prior to the meeting, but Mr. Swift wanted to alert the Board to the possibility of creating such a program. Mr. Swift hopes to present the program for action by the Board in early 2024.

Mr. Burns asked how AZIDA makes money on the program. Mr. Swift responded that AZIDA makes money on the initial issuance of the mortgage revenue bonds as well as annual cash flow as the homeowners pay off the bonds. Mr. Ghelfi, Director of the Arizona Finance Authority, also responded and shared his experience with a similar single-family program.

Ms. Márquez Peterson asked about the necessity is for offering the service. Mr. Swift noted that there is a great need for this type of program in rural counties, and by statute, AZIDA is the only entity set up to serve the 13 rural counties. Ms. Márquez Peterson expressed her interest in learning more about the program. Ms. McGuire pointed out that AZIDA is the successor to the Arizona Housing Financing Authority, which focused on rural communities, and this program would continue that focus.

Ms. Márquez Peterson asked if the Governor regulates the allocation of funds from the Housing Trust Fund or if it requires legislative action. Mr. Swift responded that it would not require legislative action. The Department of Housing administers the Housing Trust Fund.

Mr. Burns asked if the program would continue even if interest rates came down. Mr. Swift responded that AZIDA needs to stay relevant in the market and protect its brand and would not move away from the DPA model. As the market comes back, both programs



would run concurrently and then a decision would be made as to whether to do a second or third issuance of single-family mortgage revenue bonds depending on cost.

Referring to previous discussion on the details of the transactions reviewed, Mr. Castillo noted a general concern as to the amount and quality of project information, including information about the proposed single-family program, provided to the Board and expressed a desire for additional details. Mr. Castillo also expressed his concern that the Board does not have a practice of reviewing and approving the agenda prior to the meetings. To that end, Mr. Castillo requested the meeting agenda include approval of the agenda moving forward. While Mr. Castillo expressed his appreciation for programs such as the down payment assistance program and affordable housing, especially when there are aspects such as renewable energy or housing for elders involved, he was concerned at the speed at which the eight projects on the agenda totaling half a billion dollars were discussed. Mr. Castillo cited a news article relating to the Legacy project which included a quote that the Board never claimed the deal would be successful only that the bonds were issued on a tax-exempt basis. He expressed concern that the next headline might read "...and they trudged on." Mr. Swift first addressed Mr. Castillo's concerns by stating that Ms. Romano had been involved in discussions related to the proposed single-family mortgage revenue bond program and that the materials referenced during his informational report were not distributed to the Board before the meeting because of timing issues, namely, he had received some of the information only hours before the meeting. Secondly, Mr. Swift added that all communications with the press are vetted by legal and the communications staff on the 9<sup>th</sup> Floor. Mr. Swift added that a newspaper may take one line out of a three-to-four-line quote and there is no control over how a quote is used. Mr. Dabdoub shared Mr. Castillo's desire for additional project information, however, he expressed concerns about any admonition that might limit discussions during the staff report portion of the meetings. He noted that action cannot be taken on items not included as action items on the agenda and wanted to ensure staff is comfortable bringing non-action item information to the board to be discussed freely. Addressing concerns about a lack of information regarding projects considered by the Board, Mr. Ghelfi added that preliminary approval is very early in the process and developers won't have all the information the board might want to see regarding their projects at that point in the process. Mr. Ghelfi asked Mr. Castillo to provide a list of items he would like to see for each deal. Mr. Ghelfi suggested Mr. Castillo provide a similar list for those projects seeking final approval as well. Mr. Swift added that the new conduit bond application will address many of the data points the Board wishes to see. Mr. Dialessi added that the new application addresses information that the Governor's office wishes to see in these projects. Mr. Burns noted that he is aware that there are many projects that do not come before the Board for approval because they are vetted by staff, but shared Mr. Castillo's and Mr. Dabdoub's desire for more information to be provided. Mr. Dabdoub suggested the board materials contain projected business plans, projected cost per square foot and projected cost per unit. Mr. Castillo also added that sources and uses for each project should be included in the board materials. Staff was directed to provide such additional project information, to the extent available, at the various stages in a bond financing.

## 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**

Mr. Burns announced that the next meeting of the Arizona Industrial Development Authority is scheduled to be held on Thursday, January 18, 2024, in the same location, at 4:00 p.m., but noted that people should consult the AZIDA website for any changes to meeting details.

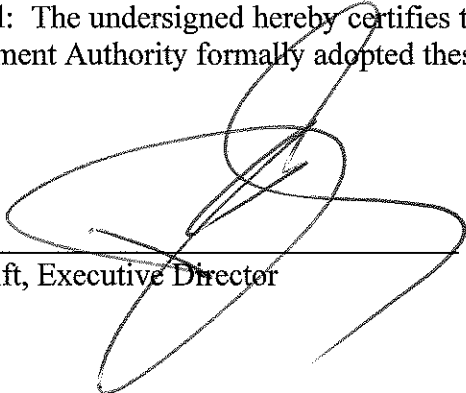
7. **Adjournment**

Board member **Marcel Dabdoub** motioned for adjournment of the AZIDA Board Meeting at 5:29 p.m. Board member **Lea Márquez Peterson** seconded.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed. (Mr. Castillo, attending virtually, indicated approval through use of the "thumbs up" emoticon which appeared on the Zoom video display.)

*[Remainder of page left blank; signature page follows]*

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.



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Dirk Swift, Executive Director

February 15, 2024  
Date of Board Action