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, April 18, 2024
3:00 p.m.

Board Members Present (Appearing in Person):
Ken Burns
David Castillo
Robin Romano
Andre Whittington

Board Members Present (Appearing via Zoom):
Marcel Dabdoub

Staff Present (Appearing in Person):
Dirk Swift, Executive Director
Dan Dialessi, Chief Financial Officer
Pat Ray, Cathedral Rock Issuer Services, Bond Program Manager

Meeting Facilitator (Appearing in Person):
Dirk Swift

Presenters (Appearing in Person):
Jacob Berger, Dominium, Inc.

Presenters (Appearing via Zoom/Telephonically):
Steve Bien, SoHo Housing Partners
Jesse Coury, Greystone Housing
Conal Hession, Kutak Rock LLP

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 3:00 p.m. Board members Ken Burns, David Castillo, Robin Romano and Andre Whittington attended in person. Board member Marcel Dabdoub attended via Zoom. Roll was called by Dirk Swift, as meeting facilitator. A quorum was declared present.

Ms. Romano informed the Board there is a change to the agenda, as was posted, and asked for a motion.

Board Member **Andre Whittington** motioned to move agenda item 6 to a later meeting of the Board of Directors. Board member **David Castillo** seconded the motion.

By a vote of 5 ayes, 0 opposed and 0 abstentions, the motion passed.

2. **Agenda Items Considered:**

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-15 – (i) authorizing the issuance of not-to-exceed $3,000,000 aggregate principal amount of Multifamily Housing Revenue Notes (Aviara Flats Project), (ii) authorizing certain amendments to loan documents related to previously issued Multifamily Housing Revenue Bonds (Aviara Flats Project), $2,855,000 Series 2022A, and $45,650,000 Taxable Series 2022B, and (iii) authorizing the reallocation of carryforward volume cap, for the benefit of Phoenix Leased Housing Associates III, LLLP.

Jacob Berger of Dominium, Inc. ("Dominium") informed the Board that Dominium was requesting additional bonds to support the completion of Aviara Flats, a family community located at 7800 West Encanto Boulevard in Phoenix, Arizona. Mr. Berger explained that the Aviara Flats project is a 16-building, 372-unit multifamily property providing affordable housing with set asides at 60% AMI. The project is currently 96% complete. Dominium has begun the lease up process and currently has over 500 applications, including 52 pending approvals. Dominium anticipates reaching 100% occupancy in fall of 2024 and anticipates conversion in spring 2025. Mr. Berger explained that Dominium is requesting $1,560,000 in additional bonds to ensure they meet the 50% test to secure the essential tax credits needed to fund the project. Dominium originally requested a not-to-exceed amount of $3,000,000, but after further analysis of projected costs, they found that the lesser amount was needed to meet the 50% test. Mr. Berger then thanked the Board for its support and consideration.

Ms. Romano noted that this is one of a multitude of bonds that have been issued for Dominium and that this is the third stage of this project.

Marcel Dabdoub asked for clarification regarding the total bonding amount being requested for the whole project with this amendment.

Ms. Romano stated the first two bonds were issued for phases one and two and asked if this request is for the third phase of the project.

Dirk Swift indicated the total amount should be approximately $50,000,000. He explained that the project is approximately 95% complete and the extra money is for "balancing up" to ensure Dominium meets the 50% threshold requirement for low income housing tax credits, so this is more of an accounting function as opposed to completion of the project.

Ms. Romano asked Pat Ray if he had anything to add.

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Mr. Ray indicated that the amount thus far is approximately $48,505,000 and the additional amount being requested will bring the total to $50,000,000. He explained that, under federal tax law, private activity bonds must be used for 50% of the capital costs of the project to qualify for tax credits. Dominium is requesting this additional amount to ensure the bond issue would be 50% of the total project.

Ms. Romano then asked the Board if there were any additional questions.

Mr. Dabdoub thanked Ms. Romano and indicated he had no further questions.

Mr. Burns then asked for clarification on the amount of additional bonds to be approved.

Mr. Berger confirmed that Dominium is requesting $1,560,000 instead of the not-to-exceed $3,000,000 as requested in the resolution.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-15 revised to approve the requested amount of $1,560,000. Board member **Andre Whittington** seconded the motion.

By a vote of 5 ayes, 0 opposed and 0 abstentions, the motion passed.

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-16 – Authorizing preliminary approval of not-to-exceed $35,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued to finance a multifamily qualified residential rental project in Maricopa, Arizona, for the benefit of PPP Bowlin Place, LLC.

Steve Bein, of Soho Housing Partners ("Soho") and a representative of Paces Preservation Partners ("PPP"), informed the Board that PPP is providing a new construction opportunity on land purchased from the City of Maricopa (the "City") to build 150 affordable workforce housing units, with a mix of 1, 2, 3 and 4 bedrooms. He stated the City is in support of this project to help satisfy the need for workforce housing created by the rapid growth of the City. The City has solicited developers like PPP to build housing. The budget is currently estimated to be over $55 million, with the amount of tax-exempt bonds to ensure PPP can meet the 50% test and satisfy requirements to obtain tax credits. Due to recent escalations of costs, PPP is requesting more than may be needed to ensure they can meet the 50% test requirements. PPP is currently working with another developer, Impact Housing, on a project in Tucson, their first in Arizona. Impact Housing partnered with PPP over a year ago to help bring that project to fruition. Mr. Bien explained that PPP is a developer of affordable workforce housing throughout the Southeast with transactions ranging from North Carolina to Texas, and now Tucson and Maricopa, Arizona.

Ms. Romano thanked Mr. Bien and asked if the Board had any questions regarding this project. She also asked for confirmation that PPP is building this project for units at 30%, 60% and 80% AMI.

Mr. Bien confirmed that was correct.

Ms. Romano also expressed delight that this project will include four-bedroom units and then asked Mr. Bien to tell the Board about the Paces Foundation.

Mr. Bien explained that PPP is an aggregate of two development companies, the Paces Foundation ("Paces"), a large nonprofit headquartered in Atlanta, Georgia, and Soho Housing Partners ("Soho"), a for-profit development team headquartered in Tampa, Florida. Paces has existed for over 30 years and has a significant development portfolio. It was founded by Mark du Mas in 1991, right around the advent of the tax credit program. PPP has built well over 55 tax credit facilities during that time. Soho partners with Paces almost exclusively to bring together the talent, capability, and the legacy of Paces, their balance sheet and history, along with Soho's background and experience in development and finance. Paces specializes in tax-exempt bond transactions in larger markets to bring blended household opportunities to the low- and extremely low-income workforce. Paces has found that blended household projects in larger markets has served them very well and they are looking forward to bringing the product to Maricopa.

Board member **Andre Whittington** then motioned to approve Resolution No. 2024-16, as presented. Board member **Marcel Dabdoub** seconded the motion.

By a vote of 5 ayes, 0 opposed and 0 abstentions, the motion passed.

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-17 – Authorizing amendments to the Authority's previously issued $16,364,977 Municipal Certificates Series 2019-1, including an extension of the Certificate term, and related matters.

Conal Hession from Kutak Rock LLP reminded the Board that this transaction was originally approved and entered into in 2019. Mr. Hession explained that Greystone Housing Impact Investors ("Greystone"), formerly known as America First Housing or America First Tax-Exempt Investors, is a publicly traded company that invests almost exclusively in affordable housing throughout the United States. Greystone entered into the 2019-1 Certificate transaction with Morgan Stanley, who remains as the only other holder of the certificates. The certificates were originally issued to finance their participation in the permanent financing of the construction of the Villages at Avalon Apartments in Albuquerque, New Mexico. The transaction has worked exactly as intended and has proven beneficial to both Greystone and Morgan Stanley. However, rates have risen considerably in the last 12 months, and while Greystone and Morgan Stanley negotiated to find alternative financing, they were not able to do so in time. Therefore, Greystone is requesting an extension of the certificate maturity date. Greystone has agreed with Morgan Stanley on the certificate terms and anticipates they will be able to find more attractive financing within the next 12 months that will enable them to essentially put more money back into the affordable housing market everywhere in the United States, allowing this transaction to mature as originally intended.

Ms. Romano asked if there are any prepayment penalties for paying off early.

Mr. Hession responded there were no prepayment penalties.

Ms. Romano summarized that AZIDA entered into a certificate of financing with Greystone in 2019 and the rate was 3.5%. Greystone then refinanced the certificate in 2021 and the rate was 1.9% and is set to expire May 1. Starting May 1, the rate will be 6.3%. Now Greystone is looking for an alternative way to refinance/consolidate to get the certificate paid off or lower the cost of funds. Ms. Romano then asked Jesse Coury from Greystone if there is a good expectation that the certificate will be paid off within the next 12 months.

Mr. Hession informed the Board that Mr. Coury was having some technical difficulties and that he would answer Ms. Romano's question.

Mr. Hession stated that Greystone expects to be able to refinance and that, in fact, they are negotiating now for a takeout with Freddie Mac, however, they were unable to get a term sheet put together and finalized before May 1.

Mr. Hession thought October 1 was a likely takeout date.

Ms. Romano noted that the Certificate transaction was a little different and thanked Mr. Hession for providing an overview of the existing certificates, as none of the current Board members were on the Board when the Certificates were originally sold or when the term was previously extended.

Jesse Coury then rejoined the meeting. Ms. Romano asked Mr. Coury if he had anything to add.

Mr. Coury apologized to the Board for his technical difficulties and said Mr. Hession provided a wonderful overview of the transaction.

Mr. Romano then thanked both Mr. Hession and Mr. Coury for their good explanation.

Board member Marcel Dabdoub then motioned to approve Resolution No. 2024-17, as presented. Board member Ken Burns seconded the motion.

By a vote of 5 ayes, 0 opposed and 0 abstentions, the motion passed.

3. **<u>Adoption of Minutes of the March 21, 2024, AZIDA Board Meeting</u>**

Board member **Ken Burns** moved to adopt the minutes of the March 21, 2024, AZIDA Board Meeting. Board member **Andre Whittington** seconded the motion.

By a vote of 5 ayes, 0 opposed and 0 abstentions, the motion passed.

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

Mr. Swift reminded the Board that the board package included updated financials. In summary, those financials basically kept the revenue streams by business channel, allocated expenses, etc. Mr. Dialessi was available to answer questions from the Board.

Ms. Romano reminded the Board that AZIDA is responsible for sending money to various parties at the end of the year and the money is divided based on two revenue streams, the bond revenue stream and the down payment assistance ("DPA") revenue stream. Ms. Romano explained that she personally didn't feel prior financials were clear enough to show those revenue streams, so she met with Messrs. Dialessi and Swift, and had Mr. Dialessi put together a new way to show the revenue streams. She noted that Mr. Dialessi did a great job and thinks the revenue streams will be much easier to understand.

Mr. Dialessi informed the Board that the bottom line on the year-to-date financial report currently shows an increase by program, with conduit bonds at about $2.2 million and $350,000 on the DPA side. The DPA number includes the new single family mortgage revenue bond issue which is just kicking off and hasn't generated any revenue year-to-date. Mr. Dialessi then went on to explain the current cash balances, including the current $4.5 million encumbrance of monies received from the Department of Housing to fund the new single family mortgage revenue bond program. Mr. Dialessi noted that if the year ended today, AZIDA would have about $3.6 million from the conduit bond revenue stream available to encumber for operations or to sweep to the Economic Opportunity Fund. On the DPA side, there is about $1.28 million, which will sweep to the Housing Trust Fund if not used for operations or committed to programs.

Mr. Swift explained that the $4.5 million received from the Housing Trust Fund for the new 'Arizona Is Home' program is not technically revenue in that it is committed to paying $4.5 million of program expenses that will come due when the bonds are issued and have not yet been paid.

Ms. Romano further clarified that the $4.5 million from the Housing Trust Fund is a deposit and not income and thanked Mr. Swift for making that very clear. She also clarified that they went through the expense areas and tried to allocate based on the purpose of each revenue generating business unit, because they are different, and she feels expenses should be appropriately designated as between one or the other.

Mr. Burns asked if the financial report was presented on a cash basis, to which Mr. Dialessi responded yes.

Mr. Burns shared with the Board that he had conversations with Messrs. Dialessi and Swift about the numbers being higher in December and his surprise that the numbers had gone down so much in January. Since the report is presented on a cash basis, Mr. Burns stated he now understands the large decrease in numbers. December is a big transactional month, and the January numbers reflect fees paid in accordance with the service provider contract.

Ms. Romano said that was correct and then asked if year-end is June 30th.

Mr. Burns responded that was correct.

Mr. Castillo then asked for details regarding marketing outreach.

Mr. Swift then asked Mr. Dialessi which category TerBush Creative ("TerBush") was under.

Mr. Dialessi responded that TerBush is under Graphic/Web Design/Promotional.

Mr. Swift informed the Board that there is a contract with TerBush. TerBush created and maintains the website, is working through the newsletter, does social media posting, AZIDA's digital outreach, etc.

Mr. Castillo then asked about the plan for marketing outreach for any programs, activities, or products. He indicated if AZIDA is not doing trade shows, he is not sure what that line item means. Mr. Castillo stated that outreach could be anything as simple as the Arizona Department of Housing conference, or something that is more tied to industry trade shows. Mr. Castillo noted that there is no line item for marketing outreach and asked what the plan is for outreach.

Mr. Swift stated that was a good question and he would be totally frank with the Board. He informed the Board that he is stretched pretty thin right now. Mr. Swift explained he had a telephone conference earlier today with FHA peers to discuss business development and they have staffs of two, three and four people to do business development. Mr. Swift said he jealously listens to them and thinks it would be nice to have a more proactive outbound presence. He further explained that he has been able to keep up to date because he has been a member of all the mortgage lender associations, and that at one point in time, he was a member of all 13 realtor associations. Mr. Swift said that he picks and chooses as best as he can, but he doesn't have the capacity to be out there with all of them.

Mr. Castillo then added that he asked this question about marketing outreach earlier to the leadership on the board as to how we source transactions, and it seems for a lot of it we depend on Mr. Ray.

Mr. Swift then shared more with regard to the call he had with his peer group. Members of the peer group share openly as they are in other states and don't compete against each other. Mr. Swift noted that AZIDA's DPA program has been able to survive recent downturns to this point because he markets to lenders, which is a little easier on a business-to-business basis than it is market to realtors or even consumers, which would be much more labor intensive. His peers have started pivoting to those other sources, though. Mr. Swift explained that, from his marketing days, there is "pull demand" and "push demand" and we have historically relied on push demand through the lenders. Now we're seeing the pivot to pull demand. He stated that if AZIDA can get the outreach to the realtors and consumers directly, we can ensure that they are getting pulled through the lenders even if the lenders don't want to participate in the program, but that type of labor-intensive work takes bodies.

Ms. Romano then clarified that Mr. Swift was talking about the home ownership, DPA side and Mr. Castillo was asking about the bond side, which would be a question for Mr. Ray.

Mr. Ray informed the Board that the bond side is totally different. He stated he is on the road most months, attending trade shows and conventions. Mr. Ray explained that those expenses do not get charged to AZIDA but are paid by him out of the monthly stipend he receives as part of his contract. Mr. Ray said that he would be happy to share the list of events he attends.

Mr. Swift then explained to the Board that they will find monthly reports and financials in the share folders. He stated that the financials include an executive summary of the DPA program that contains some marketing activity, as well as an executive report from Cathedral Rock that shares Mr. Ray's activities.

Mr. Castillo thanked Mr. Swift and stated he will look at those reports. He also said he understands that's part of the conduit bond side and that the DPA side is different activity, and, again, he appreciates Mr. Swift spending so much time on the road promoting the program.

Mr. Swift stated he enjoys that part.

Mr. Castillo stated that he wants to make sure Mr. Swift has the resources he needs.

Mr. Swift jokingly said that we need someone to take over the logistics portion of his position.

Ms. Romano agreed and said she thinks that's a great question because as the Board discusses its future plans, we need to make sure that we have sufficient staff. Ms. Romano noted that this may be something the Board will need to look into.

Mr. Castillo also stated that the Board should consider all of the entities under the Office of Economic Opportunity umbrella that have different capacities and budgets.

Mr. Whittington agreed.

Mr. Swift noted that there is not any succession planning right now and AZIDA is too dependent on him and Mr. Dialessi.

Mr. Dialessi agreed.

Mr. Swift added that he doesn't plan on going anywhere, but he can't live here forever, so succession planning alone would open up some opportunities.

Ms. Romano thanked Mr. Swift for being brutally honest, and stated she thinks that is something the Board needs to take into consideration during a planning session and they are in agreement.

Mr. Burns then asked Mr. Ray about the pipeline on the conduit side and noted that the Board understands the challenges on the DPA side.

Mr. Ray explained that, historically, the first quarter of each year is slow on the bond side. After a huge December, one bond transaction closed in the first quarter of this year, with another closing last week. He stated there is another closing scheduled for the end of this month so there will probably two good-sized closings in April.

Mr. Dialessi added there are some annual fees that will be collected.

Mr. Ray indicated the pipeline is still very strong.

Mr. Burns stated that this last quarter is not indicative of where we are.

Mr. Ray agreed and said it's very consistent with other first quarters. Looking back historically, that's just the nature of the finance industry and a combination of things. Tax and bonus deadlines are some of the variables that lead to a slower first quarter. Mr. Ray added that AZIDA "wrings the towel really hard" in December.

Ms. Romano added that the Board has granted a lot of preliminary approvals that still haven't hit shovel yet.

Mr. Ray said that's a good point. He noted that Dominium alone has six big multifamily projects in the queue that will close at some point this year.

Mr. Romano then said it would be good to share in the SharePoint the schedule of potential closings now that the Board better understands the conduit bond process.

Mr. Swift said that staff will try to keep a pipeline updated on the SharePoint.

Mr. Dialessi thanked the Board for the idea.

Mr. Swift said that staff tried to keep the pipeline of projects updated every 60-90 days, every quarter, or after board meetings. Mr. Swift noted that he had just looked at the pipeline yesterday and there are currently 50 projects listed, 45 of which are multifamily housing projects.

Ms. Romano agreed and said we've done a lot of multifamily lately.

Mr. Ray added that the amount of affordable housing deals in Arizona is remarkable, and Ms. Romano agreed.

Mr. Castillo then asked about the approximately three-quarters of a million dollars allocated to legal fees for AZIDA. He said he assumes the costs associated with each transaction are absorbed by the action and wants to know what that line item represents.

Ms. Romano answered the line item is for Ms. McGuire and Kutak Rock LLP ("Kutak Rock").

Mr. Swift directed Mr. Dialessi to address that line item and added those costs are the legal fees for Kutak Rock.

Mr. Dialessi agreed and said that is AZIDA's bills for legal work.

Mr. Castillo asked if that is above and beyond a management fee.

Mr. Dialessi replied that it is.

Ms. Romano added that the management fee goes to Mr. Ray and Mr. Ray is not Kutak Rock.

Mr. Dialessi confirmed that.

Ms. Romano explained Kutak Rock and Mr. Ray are two separate entities.

Mr. Dialessi added Kutak Rock is legal counsel for AZIDA.

Ms. Romano stated Kutak Rock is the Board's legal counsel and they also handle the closings of bond transactions. She then asked Ms. Belisle if she was stating that correctly.

Ms. Belisle answered affirmatively.

Mr. Ray then explained that the deals themselves get paid by the deal, and that line item is the general legal counsel work for the Board, such as preparing the resolutions and the Board packets. It is the hourly work Kutak Rock performs for the Board every month.

Ms. Romano agreed and stated she regularly communicates with Ms. McGuire with questions about the applicants and their financings, such as how they will meet LIHTC requirements. She added that bond closings are not the end of the deal where the file simply gets put in a cabinet. There is a considerable amount of monitoring after a transaction closes to ensure document provisions are being met and that is part of the service provided by Kutak Rock.

Mr. Ray added there could also be problems with a financing. Mr. Ray noted the Legacy Bank issue and the NewLife bankruptcy as examples. Mr. Ray added that there is ongoing legal work after these deals close.

Mr. Swift added that there is also the public records requests component that requires Kutak to "touch and scrub" records.

Ms. Romano agreed.

Mr. Dialessi stated Kutak is also legal counsel on the mortgage revenue bond issuance.

Mr. Swift added that we want to keep that separate and are using Kutak for legal counsel on the mortgage revenue bonds, and that expense is part of the $4.5 million.

Mr. Ray explained that fee would be paid out of those transactions.

Mr. Swift agreed and stated there are also smaller expenses related to the DPA program, but most of the legal expense is pivoted toward the conduit side because it's more labor intensive.

Ms. Romano agreed.

Mr. Castillo said that he certainly appreciates and understands the need for legal work with compliance matters and other general counsel services.

Ms. Romano thanked Mr. Castillo for asking the question and then asked Mr. Swift to update the Board on the email he sent regarding the Arizona Is Home program.

Mr. Swift reminded the Board that he sent an email on Monday, April 8th, regarding the launch of the Arizona Is Home program. He informed the Board that the flow of activity has been steady and there are currently 15 loans reserved totaling about $4 million. Mr. Swift said the activity has not been robust and he attributes that to the lack of advance communication. The first loan closed on April 17th and the second loan is queued for clearance. Mr. Swift explained that, in the first week, all of the transactions were in Pinal County because the largest lender base is in Maricopa County and the lenders there pivoted from their current pipeline to concentrate on opportunities in Pinal County. Currently, transactions are coming in from Sierra Vista and Yuma, as those lenders build their pipelines. Mr. Swift indicated fall 2024 looks good and the program appears to be on track.

Ms. Romano said that was great news and again commended Messrs. Swift and Dialessi for the detailed information packages the Board receives.

5. **Call to the Public**

Dirk Swift 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, May 16, 2024, in the same location, at 3:00 p.m., but noted that people should consult the AZIDA website for any changes to meeting details.

7. **Adjournment**

Board member **David Castillo** motioned for adjournment of the AZIDA Board Meeting at 3:48 p.m. Board member **Andre Whittington** seconded.

By a vote of 5 ayes, 0 opposed and 0 abstentions, 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.

Dirk Swift, Executive Director	May 16, 2024 Date of Board Action