Meeting Minutes

ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING

Location: In-Person Meeting at Regus
2025 N. 3rd Street, Suite B300, Room 336, Phoenix, Arizona 85004

Date and Time: Thursday, March 19, 2026
3:00 p.m.

Board Members Present (Appearing in Person):
Ken Burns
Robin Romano

Board Members Present (Appearing via Zoom/Telephonically):
David Castillo
Andre Whittington

Board Members Absent:
Marcel Dabdoub (with prior notice)

Staff Present (Appearing in Person):
Dirk Swift, Executive Director
Dan Dialessi, Chief Financial Officer
Carson Folk, Conduit Bond Business Development Officer
Sierra Belisle, Kutak Rock LLP, Legal Counsel

Staff Present (Appearing via Zoom/Telephonically):
Deaun Hampton, Operations and Administrative Coordinator
Dongyan Jones, Accountant

Meeting Facilitator (Appearing in Person):
Kelly McGuire, Kutak Rock LLP

Presenters (Appearing in Person):
Monika Suarez, PNC
Nicholas Vakirtzidelis, PNC

Presenters (Appearing via Zoom/Telephonically):
Dominic Kej, TWG Development
Angela Arnholdt, Ulysses Development Group

Actions:

1. **<u>Call to Order:</u>**

The meeting was called to order by Robin Romano, President of the Board of the Arizona Industrial Development Authority ("AZIDA"), at 3:01 p.m. Board members Ken Burns and Robin Romano attended in person. Board members David Castillo and Andre Whittington attended via Zoom. Roll was called by Kelly McGuire, as meeting facilitator. Marcel Dabdoub was noted as absent, having previously informed Ms. Romano that he would be unable to attend. A quorum was declared present. Ms. Romano asked the Board members if they had any conflicts related to the items on the agenda. No Board member declared a conflict.

2. **<u>Agenda Items Considered:</u>**

<u>*Presentation, Discussion & Adoption*</u>
Approval of Resolution No. 2026-5 – Approving an amendment to Resolution 2025-57, which granted preliminary approval to the issuance of not-to-exceed $29,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series, to finance a qualified residential rental facility in Phoenix, Arizona, to amend the project description and increase the authorized aggregate principal amount to not-to-exceed $50,000,000 for the benefit of TWG Camelback, LP.

Dominic Kej of TWG Development LLC ("TWG") reminded the Board that Camelback Flats is located in the Alhambra neighborhood of Phoenix, just west of Grand Canyon University. Camelback Flats is a ready-to-proceed project, having all permits approved and therefore can start construction and open to new residents quickly. He explained the preliminary approval amendment requests an increase in the not-to-exceed bond amount due to scope of the project increasing from 104 units to 208 units. The original plan contemplated only half of the units with the remaining units anticipated to be supported by 9% low-income housing tax credits ("LIHTC"), but consolidating the project under one structure allows TWG to move forward with a greater certainty, avoid delays in financing and also align the construction timeline a little bit better. Mr. Kej added that Camelback Flats will now include 72 one-bedroom units and 136 two-bedroom units, along with a full suite of resident-focused amenities, including a walking trail, community gardens, in-unit washers and dryers, free unit Wi-Fi, bike racks, and a community room. He noted TWG has completed, leased up, and stabilized 195 LIHTC units in Arizona with over 10,000 LIHTC units across the country. Mr. Kej reminded the Board that Unity at Glendale was TWG's first 4% LIHTC project in Arizona and it is now completed and demonstrating real strength through lease up. He added TWG is committed to delivering impactful affordable housing throughout Phoenix and Arizona.

Ms. Romano said this was a wonderful project when TWG brought it to the Board at $29 million and it looks like a wonderful project at $50 million. She added that if this amendment gives TWG the ability to get financing easier, it is understandable.

Board member **David Castillo** then motioned to approve Resolution No. 2026-5, as presented. Board member **Ken Burns** seconded the motion.

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

Presentation, Discussion & Adoption
Approval of Resolution No. 2026-6 – Authorizing preliminary approval of not-to-exceed $45,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series, to finance a qualified residential rental facility in Avondale, Arizona, for the benefit of a tax credit limited liability company or partnership to be formed by Ulysses Development Group LLC.

Angela Arnholdt of Ulysses Development Group ("Ulysses") shared with the Board that Avondale Flats, which is to be renamed as the project progresses further through design and financing, is a proposed 216-unit community in Avondale at the intersection of East La Cañada and North Central Avenue. Ulysses chose the site due to nearby amenities, including being less than about a mile and a half from grocery and retail such as Sam's Club, Target, Walmart, Fry's, Food City, Home Depot, and Lowe's. Ms. Arnholt noted the project is also adjacent to schools, parks, hospitals, and restaurants. The site is also on a bus line, providing a transportation option for those without a vehicle, as well as having nearby access to major thoroughfares, allowing tenants a straightforward commute. The project will sit on about 10.6 acres with all 216 units restricted to residents earning at 60% of area median income ("AMI"). The unit mix is comprised of 65 one-bedroom, 43 two-bedroom, 65 three-bedroom, and 43 four-bedroom units. Ulysses believes that those larger, three- and four-bedroom units are overlooked and undersupplied in the rental housing space which is why half of the project's units are geared to offer larger households affordable housing options. Ms. Arnholt explained the bonds will finance the construction and will be combined with 4% tax credits to build the capital stack. The community will incorporate thoughtful design to help households feel more connected to their community while also having a home that's their own. She added that the units will be spread across 10 three-story, garden-style buildings, and amenities interspersed within the community will include the clubhouse, business center, fitness center, playground, pool, dog park, picnic areas, and outdoor recreational space. Based on positive feedback from tenants, Ulysses is keeping the same suite of amenities as in their other projects, including refrigerators, microwaves, dishwashers, oven ranges, hardstone countertops, and disposals in the kitchen, and walk-in closets, central A/C, washer/dryer, window coverings, and balconies and patios within the unit. Ms. Arnholt noted that Ulysses has worked on other projects within Arizona, and a couple of their previously financed communities are stabilized, such as Salt River Flats and Dahlia Village, while their 312-unit community, the Acacia at Youngtown, will begin delivering units in May. She reminded the Board that AZIDA and Ulysses had already closed the Salt River Flats 2 transaction earlier this year and thanked the Board for that partnership.

Ms. Romano added that she appreciates it when an effort is made to include three- and four-bedroom units within a project's unit mix and agreed with Ms. Arnholt that they are sorely needed and often overlooked.

Board member **Andre Whittington** then motioned to approve Resolution No. 2026-6, as presented. Board member **David Castillo** seconded the motion.

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

Ms. Romano then moved to the next agenda topic. Mr. Swift had prepared a presentation regarding AZIDA's business channel expansion to provide context for the next three items on the agenda, which Ms. Romano invited him to share.

Mr. Swift shared that providing this summary in advance of the next three related agenda items would be more efficient than waiting as each item comes up individually. They all cover some encumbrance of funds or incurring expense. First is a request to add a new full-time employee specifically driven toward single-family homeownership down payment assistance ("DPA") business development. Second, the issuance of another mortgage revenue bond ("MRB") to relaunch the Arizona Is Home program (the "Arizona Is Home Program") for 2026, and finally, a request to engage with PNC to set up a line of credit for the multifamily bond recycling program.

The summary gives the Board an idea of AZIDA's current cash position as he requests these funds. As of February 28, 2026, AZIDA has available funds of approximately $5.6 million. Mr. Swift explained that staff projected the 2027 budget even though it is earlier than usual, with the fiscal year ending June 30, but he thought it was important to have current information for this discussion. The numbers show slightly less reserved for the operating budget than last year, but they do include the new full-time employee he is proposing. The plan is for AZIDA to issue an MRB this year of $55 million, the costs of issuance running between around $940,000 to $970,000, so the higher amount was assumed for the purposes of this discussion. In 2024 and 2025, AZIDA received outside funds to support the Arizona Is Home Program. Prior to the issuance of the MRBs for the Arizona Is Home Program, AZIDA had never issued a single-family mortgage revenue bond. Its predecessor, the Arizona Housing Finance Authority, that had been part of the Department of Housing, last issued a mortgage revenue bond in 2009. When a program goes dark for that long, it takes some seed capital to get it back up to speed. The 2026 bond issue will be much smaller than what AZIDA issued over the last two years. However, a few years from now, we expect AZIDA won't have to write a check for the costs of issuance expenses at all and the Program should be generating enough to cover costs. That only happens, though, if AZIDA commits to continuing to issue MRBs for the Arizona Is Home Program.

Ms. Romano asked if the issuance costs are related to risk because AZIDA has gone dark for so long.

Mr. Swift said that the total cost shown in the materials, other than the FTE, relates to the MRB and the line of credit, because that requires some initial set up costs and expenses. He noted that Ms. Suarez from PNC Bank ("PNC") will describe the bond recycling program and line of credit in greater detail. Staff modeled two different approaches to calculating the initial set up cost for the line of credit with PNC. One is about $75,000 lower, but Mr. Swift included the higher amount in the PowerPoint to intentionally show the conservative or "worst case" scenario. At the end of the day, the calculations conservatively leave AZIDA with about $1.6 million.

Ms. Romano added that a lot of things could happen between now and then.

Mr. Swift agreed and noted that, if approved, the new full-time employee would be brought on after the start of the next fiscal year – the discussion today is just regarding a reservation of operating funds, with some context explaining to the Board what staff is looking to do. He emphasized that there are four months remaining in the fiscal year and there is more revenue to be collected between now and then. The numbers presented are the result of Mr. Dialessi providing numbers, Ms. Jones and Mr. Folk checking them against their information, and then Mr. Swift using the numbers he liked, but not necessarily the numbers presenting the best-case scenario – just illustrative for purposes of these discussions.

Ms. Romano concurred – Mr. Swift usually presents the worst case without sugarcoating, which she appreciates.

Mr. Swift agreed and said he just wanted to provide an overview up front as the Board moves to the next three items on the agenda.

Ms. Romano thanked Mr. Swift and agreed they needed to know whether or not AZIDA has the money to do the things it wants to do.

Mr. Burns thought the presentation was very helpful.

Mr. Whittington had no questions and appreciated seeing the information laid out this way.

Presentation, Discussion & Adoption
Approval of Resolution No. 2026-7 – Authorizing Authority staff to establish a revolving credit facility (credit limit of not-to-exceed $250,000,000) with a national banking institution in support of the Authority's Multifamily Housing Bond Recycling Program and authorizing the pledge of collateral and execution of documents related thereto.

Mr. Swift introduced Monika Suarez and Nick Vakirtzidelis of PNC. He explained that he has worked with Ms. Suarez on multiple occasions, and Mr. Vakirtzidelis has worked with AZIDA on all of the Arizona Is Home Program mortgage revenue bonds issued so far.

Ms. Suarez introduced herself as the western regional manager for PNC's public finance team. She added she is based in Los Angeles but grew up in Arizona, attending Peoria High School and then the University of Arizona. Ms. Suarez noted she has almost 30 years of experience in the public finance industry, working with both the public and private sectors, with the last six years focusing on affordable housing.

Mr. Vakirtzidelis explained he recently joined PNC and has spent the past 15 years working with municipal issuers, specifically in the housing space.

Ms. Suarez presented a very broad overview of the housing supply shortage in the United States ("U.S."), and particularly in Arizona. Compounding that, the higher interest rate environment experienced coming out of COVID, caused many projects that were in development to no longer pencil or to have funding gaps that need to be filled. There has been more demand in Arizona for volume cap because the need for housing here is so significant and developers have found it an attractive state to develop affordable housing in. The recent federal rule changes, which were an attempt to build more affordable housing projects, reduced the tax-exempt bond financing threshold from 50% to 25% for 4% LIHTC projects, making more projects eligible for tax-exempt bond financing. She presented data from the last five years showing the demand for multifamily housing and the volume cap allocations that has been made for that space. She then noted the advantage of tax-exempt bond rates compared to the alternative of either taxable loans or taxable bond financing that developers would have to access to fill the gap. The advantage is most beneficial in the early years of the yield curve, in that one-to-three-, one-to-five-year range. She also showed the ratio between tax-exempt and taxable rates for the last five years. She noted the spike seen near May 2025 was when tariffs were announced and there was a little bit of a market shock.

Ms. Romano remarked that rates are going up again.

Ms. Suarez pulled up a presentation PNC prepared attempting to make the explanation of the recycling facility as easy to understand as possible, given that it is a somewhat complicated process. The need for additional affordable housing has really become such a policy focus for communities across the country. Affordable housing finance participants have been looking for creative solutions to get more projects built, and beginning in 2021, issuers started to launch these volume cap recycling programs. One notable problem with all 4% LIHTC transactions is more debt is needed during construction, which then is paid down through the LIHTC equity or other permanent sources of financing. There is a larger amount of tax-exempt debt initially, but it is only outstanding for the construction period, which is generally three to four years. It is then paid off with the equity and goes away. When volume cap is used for that debt, which is only outstanding short-term, it is effectively "lost" – and that's what we're trying to recapture and reuse. The affordable housing finance participants asked how they could get that cap back. It was determined that if the debt obligation was not technically paid down or extinguished, the volume cap behind it could be reallocated to a new project to take advantage of the full possible term of the tax-exempt debt.

Ms. Romano asked for an example.

Ms. Suarez explained, as an example, there may be a deal with $50 million in tax-exempt bonds and tax credit equity of $15 million, but that equity doesn't come in at the original financial close. A little portion of it comes in at bond closing, but then the majority of only comes in when construction is complete and the project has reached stabilization, typically, 90% occupancy and 1.15x debt service coverage.

Mr. Swift said that, putting all of the mechanics aside, a project that asks for $50 million of volume cap might only need $45 million of debt, ultimately.

Ms. Suarez added yes, for the long-term financing.

Mr. Swift agreed and pointed out that there is $5 million of volume cap that was only outstanding a couple years and then effectively goes into the dumpster.

Ms. Suarez concurred – once it's paid off by other sources of permanent financing, it's gone.

Ms. Romano could see that there is $5 million unused.

Ms. Suarez explained that the cap was used, but it was only used for three or four years when it could have been used for 40 years.

Ms. Romano responded that it was “gently used.”

Ms. Suarez appreciated the turn of phrase and agreed that there is still a lot of use left in that scenario.

Ms. Romano asked if the $5 million that can be recycled stays with the original recipient of the volume cap or does it go back to the AFA.

Ms. Suarez said it does not have to stay with the same developer. That is where AZIDA will be taking applications for the recycled volume cap, and it will go through their process of selection and approval.

Ms. Romano asked that because it’s already been approved under volume cap, it doesn’t have to go back to AFA and re-enter the “hunger games.”

Ms. Suarez said that is correct.

Ms. McGuire added that the AFA is the State’s allocating agency of current-year or “fresh shiny” cap and only fresh shiny cap counts toward the 25% test. People who are going to use the gently used (recycled) volume cap will still need 25% fresh shiny cap from AFA. However, to lower their overall borrowing costs they would like to fill the gap with as much tax-exempt debt as possible, which requires volume cap, either fresh shiny or gently used. And the more efficient way to achieve that is to give developers access to the gently used variety to cover as much of the gap as possible.

Mr. Folk noted that instead of needing exclusively fresh shiny cap, developers can utilize recycled volume cap, which limits the size of the request they need from AFA, which should allow more developers to obtain the fresh shiny cap they need.

Ms. Romano added that volume cap can then be spread further.

Mr. Folk agreed.

Mr. Dialessi added that essentially the volume cap is assigned to the issuer, i.e., AZIDA, at least at the federal level. That’s why volume cap is sort of fungible between developers so long as it’s being used for the same purpose.

Ms. Suarez then presented an example of a project without recycled bonds. The revenues of that project would only be able to support $24.3 million of debt because of the higher rate of that taxable debt. However, if the taxable debt can be replaced with recycled tax-exempt debt, the project can support $25 million of debt, which closes the gap. That’s an extra $700,000 that the developer doesn’t have to find from another source, which could be more expensive.

Mr. Swift added that it’s impactful because we’re dealing with the margins.

Ms. Suarez said that was correct and noted every little bit counts. In conversations with developers, these projects pencil on a very fine line.

Ms. Romano said that occasionally AZIDA gets small projects, like a rehabilitation project that might be only $5 or $6 million and asked if those projects could use recycled volume cap or if they still need to go shiny new volume cap.

Mr. Folk said that if they are also seeking LIHTCs, they still have to get enough shiny new volume cap to meet the 25% test.

Ms. Romano noted this is really more beneficial to the larger projects than it would be to the smaller projects. But, if we're able to spread volume cap out to more developers, then some of those smaller projects have a better chance of getting shiny new volume cap.

Mr. Folk agreed that all projects have a better shot at it because volume cap would be more widely dispersed.

Ms. Suarez then presented the anticipated pay downs AZIDA expects to see over the next three years. If that cap is not recycled, Arizona would lose out on around $500 million in recycled volume cap capacity, which is why AZIDA is now looking to establish the credit facility – a tool to make sure the gently used volume cap is not extinguished.

Ms. Romano noted the enormity of the potential loss.

Ms. Suarez continued, pointing out that what the projects show for 2027 is the large amount of carry forward volume cap allocations from issues closed in 2022 and 2023 being paid down as those projects reach stabilization, and those larger amounts are really what is opening up significant capacity to be reallocated.

Ms. Romano said that makes sense because they're in their third or fourth years.

Ms. Suarez then discussed the financing team working on the recycling program and putting the credit facility in place. The line of credit facility will be in AZIDA's name, with Kutak Rock LLP serving as issuer's counsel. As projects are reaching stabilization, the developer or bond trustee reaches out to AZIDA to let them know they intend to pay down some of the bonds. Mr. Folk will enter their information onto the spreadsheet of potential recycled volume cap that could be reallocated. PNC is the bank providing the credit facility and is proposing Tiber Hudson, who has been a leader in recycled volume cap facilities, as its counsel. Ms. Suarez then began identifying the steps in the process – the first of which is AZIDA identifying a developer in need of volume cap, then the developer applying to receive an allocation of recycled volume cap.

Mr. Swift interjected that the application structure, priority queue, and recycling program platform have already been established.

Ms. Suarez added that all of AZIDA's program procedures and rules would be adhered to, at which point, we begin working with the developer of a stabilized project with an impending pay down. The key document is a funds exchange agreement, which is designed to ensure the "old" debt obligation remains outstanding. That is what makes this all work. The old debt is never technically extinguished, which is what the line of credit facilitates. Moneys from the credit facility pay to keep the old debt obligation outstanding. Rather than paying it down, because once it's paid off, you can't get it back. While the money from the "old" developer, which would have been used to extinguish the debt, is used to pay off the credit facility.

Mr. Swift added that AZIDA would be assuming the debt, not paying it down. AZIDA is not refinancing but using its money to pay the debt, keep the debt outstanding, and then collecting money from the developer to pay that cost.

Ms. Romano asked if AZIDA is in any kind of a lien position. AZIDA is not paying somebody off, so it's not refinancing.

Ms. Suarez said that was correct. Money is held from the prior project. The fees related to this facility will be collected from the "new" developer, the one that would receive or benefit from the recycled volume cap. That amount will be collected upfront in full.

Mr. Swift added those fees are proprietary and won't be discussed in open session, but the calculations show that ultimately the facility won't cost AZIDA anything.

Ms. Suarez said one key element is that this recycled volume cap is available for redeployment to any new project and is not limited to only new projects sponsored by the original developer.

Ms. Romano asked if this is only for projects that AZIDA has granted final approval on or if it can be utilized for another IDA's project that did not use all of its volume cap.

Ms. McGuire said AZIDA could deploy it between issuers and projects.

Mr. Swift said eventually AZIDA could be a sort of recycling facilitator.

Ms. McGuire agreed, once we see how the first recycling goes.

Ms. Romano said that right now, it will be limited to only AZIDA, but if it works successfully, then we can have a conversation about making the resource available to other IDAs. That actually makes a lot of sense.

Ms. Suarez added that use of the line is limited to Arizona and multifamily housing projects.

Ms. McGuire also noted that there are a lot of complicated timelines to navigate under the IRS rules that Ms. Suarez, mercifully, did not go into.

Ms. Suarez said that Ms. McGuire is absolutely correct but joked that she just hadn't gotten to that slide yet. She noted the timing in a recycling transaction is critical and there are limits. The paydown has to occur within four years of the original issuance date of the bonds being recycled. In the $20 million financing scenario shown in the materials, there is a $10 million redemption coming in from a stabilized project. That money will come in and rather than the money coming in from that developer to pay off the bonds, through that fund transfer agreement, the line of credit facility will pay down the bonds. So, we have that outstanding debt obligation, but it will be secured by the cash that we're holding against the facility that would have paid down the bonds.

Ms. Romano asked if it's 100% reserved, then who is holding the reserve.

Ms. Suarez said that it would be PNC's collateral. That cash is securing the line of credit facility.

Ms. Romano said it's a savings secured loan.

Ms. Suarez said that is right, fulfilling the purpose of keeping the original debt obligation outstanding.

Ms. Romano said she understood the reasoning.

Ms. Suarez explained there is a six-month window to allocate or "use" that recycled volume cap for a new project. If it's not used within six months, that cash will be used to pay down the line of credit facility. In the example scenario, a project is receiving $10 million of shiny new volume cap from AFA, and that is being supplemented by the additional $10 million of recycled volume cap. Once those new bonds are issued, that cash is applied to the line of credit facility. While it sounds like there are a lot of wires and cash being transferred, typically, it will all happen by function of all the legal documents and be "deemed transfers." When AZIDA requests a draw from the line of credit facility, it's actually just going to go from the line of credit into the PNC escrow collateral account. Funds will not be wired out to pay off bonds, and the fund exchange agreement is what documents that. That is the intent even if the physical transfer of funds doesn't reflect that.

Ms. Romano said she is curious about how that will be shown on the balance sheet.

Ms. Suarez said that's a good question for the accountants.

Mr. Burns said he sees the benefit to the new project but asked what the incentive is for the original bondholder of the original project to participate and give money back.

Ms. Suarez said they would be paying it down anyway because they've got equity. They only have to execute the fund exchange agreement, but because these developers could be in the pool requesting recycled volume cap, it's in their best interest and it helps all the developers within the state.

Ms. Romano asked Mr. Folk if developers were excited about the bond recycling program, because she knew he already had some feelers out there.

Mr. Folk indicated they are very excited, the main reason being that the bond recycling program could spread volume cap further and new deals would have a better chance of getting the fresh shiny volume cap they must have to meet the 25% test.

Mr. Burns asked what happens three years from now when the housing market cools back to a normal level – will AZIDA still need the bond recycling program?

Ms. Suarez acknowledged the possibility of lessened demand and shared that the current proposal is for a one-year facility, with no prepayment or termination clauses. This is really for AZIDA to use as needed, and there is no penalty for ending it.

Mr. Swift said this provides greater opportunities, and other housing authorities have had similar recycling programs out there for some time, such as the Massachusetts Housing Finance Authority ("Mass Housing").

Mr. Vakirtzidelis said Mass Housing and New York have been doing this for quite a while – New York for probably over 20 years. Those two issuers have large balance sheets of their own, so their structure looks a little different than AZIDA's. But this is not a new idea or a new concept. We're just copying the framework that's been done elsewhere and solving AZIDA's constraints.

Ms. Swift said it seems like the most opportunity will be within this next three-year period.

Mr. Folk said there's going to be a three-year peak with the $500 million coming due to be paid down, and then it could still be used, but just not to this degree.

Ms. McGuire added that under the 25% test, the pay downs of cap were not going to be as great.

Mr. Folk said AZIDA, however, currently has a lot of 50% test projects stabilizing and paying down that have excess funds that will be available via recycled cap.

Mr. Dialessi added that you can only recycle once.

Ms. McGuire agreed.

Ms. Suarez said yes, the bond recycling program could exist when the market cools, and there is demand from developers, but it just won't be to the degree of the available capacity. This line of credit facility follows the structure that has been used by other state issuers. This is a proven structure, tested, and designed to minimize risk. As mentioned, with that fund transfer agreement it's considered a "deemed transfer". There's no cash moving or being wired. It's all a legal construct, with the interest cost for the facility prepaid by the recipient developer up front, in full, prior to any draw on the facility.

Mr. Swift added AZIDA has a small fee that it has to pay, and they've structured it so the recipient developer will cover these costs. Since they have six months to use the recycled cap under the IRS rules, AZIDA will charge them the six-month cost up front. If they complete the recycling in only four months, there is no rebate. AZIDA will also charge a small basis point administrative fee because the program requires a high level of active administration.

Ms. Romano asked if this is a non-refundable fee.

Mr. Swift confirmed it was. He added that throughout the process of developing the recycling program, AZIDA staff have been very transparent with our developers. We have a lot of developers who like to deal with AZIDA, and they have accepted these costs because they are getting a lower interest rate on what would have otherwise been taxable debt.

Mr. Folk added that the developers typically will make back the costs within one year by having a tax-exempt rate instead of taxable.

Mr. Swift said another upside is there's also a possible increase with respect to AZIDA's issuer fee on the bond issue. For example, where a financing originally called for a $20 million bond, with recycling, it may now be a $27 million bond. The issuer fee we charge is calculated on the principal amount, which would then be$27 million instead of $20 million.

Ms. Suarez explained the credit amount of the facility is currently written to accommodate up to $220 million in draws. It is designed with a step-up feature so that the size of the facility matches the expected need. She reiterated that the facility can be terminated at any time with no termination fee or prepayment fee. Additionally, the execution risk has been minimized through that fund exchange agreement. Ms. Suarez closed out the presentation by sharing a list of other state issuers with recycling programs, noting that California Municipal Finance Authority was the first, starting their recycling program in 2021. Ms. Suarez then asked if the Board had any questions.

Ms. Romano said that was a lot of information and turned to Board members for questions.

Mr. Whittington said he had no questions and thinks this is a good product for AZIDA.

Ms. Romano agreed and said we can take advantage of the 50% test being decreased to 25%. Life changes quickly and in four years everything could change again. So, the fact that we won't have a penalty for the program being inactive for a while is helpful, but that tool is still there to be used if needed.

Mr. Burns noted AZIDA may just use up its cap every year going forward.

Ms. Romano said one can hope, but she doesn't know if that will always be the case, as it cycles. She thanked Ms. Suarez for the explanation, and she was going to ask if any other states are utilizing similar programs and credit facilities, but that information was provided.

Board member **Ken Burns** then motioned to approve Resolution No. 2026-7, as presented. Board member **Andre Whittington** seconded the motion.

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

<u>*Presentation, Discussion & Adoption*</u>
Approval of Resolution No. 2026-8 – Authorizing final approval to the issuance of not-to-exceed $75,000,000 of Single Family Mortgage Revenue Bonds, 2026 Series A (Non-AMT), in one or more tax-exempt and/or taxable series, the proceeds of which will be used to fund a single family mortgage loan program.

Ms. Romano noted the Arizona Is Home Program has been very successful in the past.

Mr. Swift agreed that it has been well received and very successful. This year's issuance has a lot of similarities to what we have done in the past and he wanted to bring a couple features to the Board's attention. The program will still be offered only in the 13 rural counties and restricted to first-time homebuyers earning at or below 100% AMI. AZIDA will still offer the standard products, Ginnie Mae, Fannie Mae, Freddie Mac, etc., as well as the 4% DPA through the same lenders with the same platform. Right now, the targeted interest rates on this tranche of loans would be 6% for an FHA, 6.25% for conventional, and that includes the 4% DPA, which in today's terms is pretty close to the market. So, loans should be either at or below the market, as we don't have the additional funds to buy down the rate like we did the first time. Our average loan size has been $274,000, and that has been pretty consistent over the last two years. AZIDA provides 4% DPA based on the loan amount. It's important to know that $10,960 is the average amount of DPA. Reverse engineering loan size for a $55 million bond issue this year, works out to being able to help about 200 homeowners. The difference for this year is that we're changing the terms of the DPA. Instead of it being forgivable in five years, it will be no interest, no payment, non-amortizing, but due on sale. When the consumer sells or refinances, they would have to pay the DPA back. AZIDA will pay $970,000 for the 2026 bond cost of issuance which works out to an investment of about $4,800 per homeowner. The homeowners would then owe AZIDA $10,900, so we only need a smaller payback to break even on our funds. We have done something similar two other times under prior Board membership, and in both instances where we have used internal funds for DPA, not an MRB. In both cases we've also offered these terms. The bottom line is this time it's AZIDA's money and we're expecting to get paid back.

Ms. Romano asked if there were any losses on the other programs, because there's always the possibility of loss, particularly when homeowners are only putting 4% down. The market collapses or declines slightly and they have an emergency – then they can't pay.

Mr. Swift said there had been some losses, and AZIDA's master servicers will have to come to AZIDA if there is a loss or some sort of reduced payoff. In anticipation of this question, he looked back at past data on losses. It looks like the number was somewhere around 11 loans in the last three years. So, there is a potential for loss, but we can be short on 110 of these loans, which Mr. Swift does not anticipate, and still break even on the investment.

Mr. Dialessi said there's no vertical spread.

Mr. Swift agreed and said that is something we haven't done yet, but every issuance we do, we get a spread that we have built into the program, and AZIDA has not taken the cash flow out of that yet because it hasn't been a substantial number yet. But again, as we're building up the issuance every year, the costs go down, spread remains the same, our annuity keeps growing. The difference here is just basically, when we received outside funds, there were some terms and restrictions that came with those outside funds, and one of them was that the DPA had to be forgivable. When we're using our own funds, we've made the DPA non-forgivable.

Ms. Romano asked if we reserve money in case of losses or whether AZIDA absorbs the loss.

Mr. Dialessi said AZIDA is paying it up front so it's sort of already in the mix. The amount is capitalized because the ratings agency requires us to put in a little bit of capital to sort of over collateralize, because when we give the DPA out, they just assume it's a loss.

Ms. Romano wanted to confirm those amounts were part of that $900,000.

Mr. Swift said the $900,000 and change was to pay the cost of closing, including, legal costs, underwriting costs, the cost of PNC, and the cost of cFX, etc.

Ms. Romano said that makes more sense because you're going to have losses when you only have 4% down because life happens, especially when we're dealing with 100% AMI.

Mr. Swift said AZIDA is not wasting money, but we're not going to be 100% made whole.

Ms. Romano agreed, especially serving a population in the rural areas, where there's a tendency to hold onto that home for a longer period of time.

Mr. Swift asked Mr. Vakirtzidelis if AZIDA's prepaid speeds were a little slower.

Mr. Vakirtzidelis said they were.

Ms. Romano asked what the prepayment speeds are in rural areas.

Mr. Vakirtzidelis said they're south of 50% PSA in the rural areas in Arizona. He noted that there are not many HFAs that have prepayment speeds that slow across the nation.

Mr. Swift added that data is based on the last two years, and they've factored that into the cost because the investors want to know that too.

Ms. Romano said that makes sense.

Mr. Swift said this year's issuance for the Arizona Is Home Program is a continuation of what AZIDA has done in previous years with the slight twist of using AZIDA funds for the cost of issuance and making the DPA non-forgivable. We anticipate launching the Arizona Is Home Program on Monday, April 6th, and will begin taking new reservations that day.

Ms. Romano said she hopes the reservations go as fast as they went last year.

Mr. Swift said they would like it to last a little bit longer because the lenders get upset that our program only lasts for a limited amount of time. One of the things that helps extend our availability is offering the program only in rural areas. AZIDA's peer IDAs in Phoenix and Tucson have similar programs and they go very fast.

Mr. Castillo added that DPA of 4% used to be fantastic, and he's seeing some entities layering DPA just to be able to get families into homes. He then asked what is driving this change to non-forgivable given that the affordability issue is just growing.

Mr. Swift explained there is obviously still the need for the DPA, and what he has seen over the last three to four years is we've gone from helping homeowners that have no money to now helping homeowners that have some money but need more money. We've gone from someone who has no down payment to somebody that has $15,000 and still needs more because the home prices and interest rates have gone up. Issuing the MRBs as tax-exempt bonds gives us the ability to offer a lower rate. Our other product is a premium-priced loan, and that product still exists. In that case, the premium priced loan is what we use to pay for everything. When we're at 4% rates and we add ½% to it to cover the cost, we're at 4.5%. When we're at 7% and adding ½%, it just doesn't work. That's where the MRB product comes into play. MRBs are all a lot of our peer groups do, but they are not nearly as volume cap constricted as we are. At the end of the day, many of them are getting 90% of the volume cap for their state. If you reverse engineer our volume cap allocation, which is approximately $73 million this year, that equates to about 7.5% of Arizona's volume cap. That is all we get. So, MRBs are a great component and it's great that we can focus on the rural areas. If we could do more, we should do more, but we can't.

Mr. Castillo said he thinks the key thing said is that our market has changed. When a starter home was $150,000, 4% was amazing. Now the average price for something even modest, like a townhome, is maybe $350,000. It's a different kind of buyer and that's the kind of buyer that is likely going to refinance or upgrade later. He said he thinks he'd feel different if the Arizona Is Home Program was targeting a different kind of rural borrower. The program is still largely concentrated in metro areas of the rural counties. We're in the business of trying to give assistance and make home-buying as easy as possible, but we're definitely dealing with a different market.

Ms. Romano remarked on the great question, and seeing nothing further, called for a motion.

Board member **Ken Burns** then motioned to approve Resolution No. 2026-8, as presented. Board member **David Castillo** seconded the motion.

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

3. **Presentation and Discussion; No Board Action – Single-Family Homeownership Business Development Officer**

Mr. Swift noted that AZIDA does not currently have a person dedicated to its single-family homeownership programs. There is no one out there proactively marketing the program. Mr. Swift currently handles this area, and when realtors and lenders call, he goes to talk to their groups, but because he doesn't have the bandwidth to dedicate more time to the business channel, AZIDA is not being proactive. He still wears multiple hats, and he thinks to expand the product and to be more proactive and aggressive, AZIDA needs to have someone concentrated in that space. There are 19 down payment assistance providers in Arizona, and at one point in time, AZIDA could get away with just being "Dirk at HomePlus." Now, we need to make sure that we're in the lender's ear and making sure that they're aware of our products and we're at the top of mind. In addition to those 19 providers, a lot of the lenders have internal programs that they give precedence to. So it's a little bit of a fight to get our share of the pie in the business. We need to help people understand what we do and educate them on creative ways to get something done that they can't get just reading the brochure. Quite frankly, it's also a little bit of start in succession planning.

Mr. Castillo said he likes the last part of Mr. Swift's statement in that he would like to see him train the next generation. He appreciates the new hires that have been made and seeing the younger professionals come in. They can benefit from all of Mr. Swift's experience and guidance, and we need as much of that as possible.

Mr. Swift acknowledged he is 64 and in the ninth inning of his career, though he notes he still hasn't decided on an exit plan. The single family business development officer is a position AZIDA's peer groups have. Thirty-seven states have someone dedicated to this position.

Ms. Romano said the Board has expressed its support in making sure we go out to the rural areas and be seen in person.

Mr. Swift said some of our peers will have a set lender training every couple of months where people can meet face to face – regular touchpoints to make those connections. Some lenders have approached me to do it, but not because I contacted them, and that's the point.

Mr. Burns suggested the Board move into executive session to discuss the particulars.

Board member **Ken Burns** motioned to enter into executive session for the purpose of discussing the terms of the proposed employment position and consulting with AZIDA's attorneys in order to consider the Board's position and instruct AZIDA's attorneys regarding the contract to be negotiated related to the single-family homeownership business development office position, pursuant to A.R.S. § 38-431.03(A)(1) and/or (3). Board member **Andre Whittington** seconded.

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

Ms. Romano noted that members of the public in attendance in the meeting room had left the room and those participating via Zoom were moved to a separate Zoom room. The open session was recessed, and the executive session was convened.

The public meeting was reconvened at 4:25 p.m.

Board member **David Castillo** then motioned to authorize the Executive Director to hire a full-time single-family homeownership business development officer, as discussed during the Executive Session. Board member **Andre Whittington** seconded the motion.

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

4. **Presentation and Discussion; No Board Action – Executive Director's Report**

Mr. Swift informed the Board he did not have anything additional to report this month and will provide his next update to the Board at the April meeting.

Mr. Burns noted that it had been a great meeting.

Ms. Romano agreed with Mr. Burns and added she is very excited about the possibilities.

5. **Adoption of Minutes of the January 22, 2026, AZIDA Regular Board Meeting**

Board member **Ken Burns** moved to adopt the minutes of the January 22, 2026, AZIDA regular board meeting. Board member **Andre Whittington** seconded the motion.

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

6. **Call to the Public**

Ms. Romano announced a call to the public for comments.

Ms. McGuire requested to comment, reminding the Board that there will likely be a high volume of projects with volume cap deadlines requesting final approval at the next few meetings, and because there is no flexibility to extend the deadlines under statute, ensuring a quorum is in attendance is critical. She added that another meeting time could be scheduled, if necessary.

Ms. Romano noted that June has become the new December and thanked Ms. McGuire for the reminder.

Mr. Castillo noted that he will be traveling during the April meeting.

Mr. Whittington confirmed he would be available for the April meeting.

7. **<u>Announcements</u>**

Ms. Romano announced that the next regular meeting of the Arizona Industrial Development Authority is scheduled to be held in person on Thursday, April 16, 2026, at 3:00 p.m., but noted that people should consult the AZIDA website for any changes to meeting details.

8. **<u>Adjournment</u>**

Board member **Andre Whittington** motioned for adjournment of the AZIDA Board meeting at 4:29 p.m. Board member **David Castillo** seconded.

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

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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.

______________________________	April 16, 2026
Dirk Swift, Executive Director	Date of Board Action

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