

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, June 20, 2024  
3:00 p.m.

Board Members Present (Appearing in Person):

Ken Burns  
David Castillo  
Robin Romano

Board Members Absent:

Marcel Dabdoub  
Andre Whittington

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):

Kelly McGuire, Kutak Rock LLP

Presenters (Appearing in Person):

Nick Vakirtzidelis, Barclays Capital Inc.  
Alex Vlamis, Barclays Capital Inc.  
Jeremy Obaditch, cfX Incorporated  
Chuck Karimbakas, cfX Incorporated  
Puneet Hosatti, cfX Incorporated

Presenters (Appearing via Zoom/Telephonically):

Matthew Klein, Lincoln Avenue Capital  
Cole Froemming, Lincoln Avenue Capital  
Trevor Goodsell, Mater Academy of Nevada

**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 and Robin Romano attended in person. Roll was called by Kelly McGuire, as meeting facilitator, and Marcel Dabdoub and Andre Whittington were noted as absent. A quorum was declared present.

2. **Agenda Items Considered:**

*Presentation, Discussion & Adoption*

*Approval of Resolution No. 2024-25 – Authorizing the issuance of Multifamily Housing Bonds (The Ranches at Gunsmoke Project) and Multifamily Housing Note (The Ranches at Gunsmoke Project) in a combined aggregate principal amount not-to-exceed \$75,000,000, each to be issued in one or more tax-exempt and/or taxable series, for the benefit of Gunsmoke Ranch Apartments, L.P.*

Matthew Klein and Cole Froemming of Lincoln Avenue Capital (“LAC”) provided an update on the project. Mr. Froemming reminded the Board that this project is a 100% affordable multifamily community restricted to 60% AMI. Mr. Klein added the project consists of 271 units with a broad array of amenities for the working families in Pinal County. He informed the Board that construction is scheduled to commence in August with completion in the fall of 2026. Mr. Klein thanked the Board for their consideration and offered to answer any questions.

Board member **David Castillo** then motioned to approve Resolution No. 2024-25, as presented. Board member **Ken Burns** seconded the motion.

By a vote of 3 ayes, 0 opposed and 0 abstentions, the motion passed.

*Presentation, Discussion & Adoption*

*Approval of Resolution No. 2024-26 – Authorizing the issuance of Education Facility Revenue Bonds (Mater Academy – East Las Vegas Campus Project) in an aggregate principal amount not-to-exceed \$65,000,000, to be issued in one or more tax-exempt and/or taxable series, for the benefit of Mater Academy of Nevada.*

Trevor Goodsell of Academica Nevada, manager of Mater Academy of Nevada (“Mater East”), informed the Board that Mater East is a K-12 campus located on the east side of Las Vegas. Mr. Goodsell explained that the bonds will be used to purchase the building and bring this campus into the “obligated group,” joining both Mater Bonanza and Mater Mountain Vista (the two schools previously financed with AZIDA bonds). Mater East is a Title I school with 100% of its students eligible for the federal free or reduced lunch program and has just had its first graduating class. Mr. Goodsell stated that enrollment for the next school year is estimated at 2,450 students.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-26, as presented. Board member **David Castillo** seconded the motion.

By a vote of 3 ayes, 0 opposed and 0 abstentions, the motion passed.

3. **Discussion; No Board Action – “Arizona is Home” Single Family Mortgage Revenue Bond Program**

Dirk Swift shared with the Board that the “Arizona is Home” single family mortgage revenue bond program had launched and the bonds had closed that morning. He then introduced Nick Vakirtzidelis of Barclays Capital Inc. (“Barclays”), the lead underwriter of the bond issue, who gave a summary of how the single-family bond program works and Barclays’ role with respect to the “Arizona is Home” bond program. During a delay related to technical difficulties Alex Vlamis, also a member of the Barclays team, took a moment to introduce himself to the Board and shared his background in affordable housing financing. Mr. Vakirtzidelis returned to his presentation and described to the Board some of the hurdles AZIDA faced in issuing its mortgage revenue bonds because of the fact that it can only serve a limited amount of counties within the State of Arizona (“State”). For these reasons, within the mortgage revenue bond market, AZIDA would normally have been treated by the rating agencies and investors as a local issuer as opposed to a state issuer. Traditionally, local issuers experience penalties in capital markets and pay more for raising capital than state issuers. To avoid this, Barclays and cfX Incorporated (“cfX”), AZIDA’s financial advisor, came up with a three-prong approach to tackle this obstacle. The “Arizona is Home” program was designed to mirror that of a state housing finance authority (“HFA”) and included a very aggressive marketing campaign, along with formation of a syndicate designed to ensure the largest possible number of orders with the goal of reducing the cost of the bonds. Mr. Vakirtzidelis explained that HFAs are typically highly rated entities because of the implied backing of the United States government behind their offerings. Mr. Vakirtzidelis and the cfX team were able to convince rating agencies to use the standard methodology typically used for HFAs in rating AZIDA’s program. Mr. Vakirtzidelis explained that this methodology was acceptable to the rating agencies because of AZIDA’s management. One of the biggest concerns investors had was that AZIDA’s management team is a two-person operation. Mr. Vakirtzidelis noted that it was the skillsets and experience of Mr. Swift and Mr. Dialessi that convinced investors to purchase bonds. Mr. Vakirtzidelis added that touting these skillsets was a significant part of the marketing material provided to investors. Mr. Vakirtzidelis further noted that the financial support from the State by way of monies provided from the Housing Trust Fund to start the program was another factor in showing investors that there was a commitment to the “Arizona is Home” program and that the program is here to stay. Mr. Vakirtzidelis also discussed how the targeted approach of the program serving first time homebuyers and those earning at or below 80% AMI brought investors to the table. He also highlighted that the experience and reputation in the industry of the working group professionals also encouraged investors.

Mr. Swift noted that AZIDA utilized Kutak Rock LLP out of its Omaha office as bond counsel.

Mr. Vakirtzidelis then summarized data showing how investors interacted with marketing material for the mortgage revenue bonds. Multiple meetings were conducted by Barclays to educate investors about AZIDA and its operations, specifically its executive management team. Mr. Vakirtzidelis explained the pricing and sale process of the mortgage revenue bonds. Barclays worked with cfX to design a syndicate to get the most retail purchases of the bonds as possible. The more orders there are the more negotiation power there is in setting the rate on the bonds. Pricing is a negotiation that generally takes place over a two-day period. Mr. Vakirtzidelis noted that during the first day of the offering of bonds there was about 35-40% retail participation. Mr. Vakirtzidelis thought this was a good turnout for AZIDA's first transaction. Mr. Vakirtzidelis also noted that when AZIDA's bonds went to market, there was a total of \$1.4 billion in housing mortgage revenue bonds in the market, and there were not enough investors to absorb that amount of paper. Consequently, concessions were made on the term bonds in order to fulfill the orders. At the end of the ordering period, the bonds were fully subscribed. Mr. Vakirtzidelis then compared the pricing data of AZIDA's mortgage revenue bonds to other HFAs in the market and AZIDA's results were better. Mr. Vakirtzidelis presented data comparing the previous bond offerings of other industrial development authorities within the State and AZIDA again performed better.

Ms. Romano thanked Mr. Vakirtzidelis for his presentation and explanation of the pricing data.

Jeremy Obaditch of cfX thanked the Board for the invitation to present at the meeting. Mr. Obaditch introduced the cfX team and shared that cfX would discuss cfX's relationship with AZIDA and the future of cfX's work with AzIDA.

Chuck Karimbakas of cfX began the presentation by briefly describing the history, experience and qualifications of cfX as a financial advisor. Mr. Karimbakas noted that cfX serves as AZIDA's fiduciary in these transactions, meaning that cfX has a duty of loyalty and a duty of care in carrying out its functions as a financial advisor to AZIDA. Mr. Karimbakas explained that there are various parties on either side of the "deal table." AZIDA, its counsel and cfX are on the same side, with the remaining parties on the other side. cfX's national presence was illustrated with a map showing HFAs across the country. Mr. Karimbakas described the various factors cfX considers in advising clients as to the best bond structure, such as the pipeline, sizing, timing, volume cap available and types of loans to be offered to homebuyers. In addition to serving as financial advisor, cfX also assists in open indenture management and post-closing tax-exempt bond compliance.

Mr. Obaditch asked if the Board had any questions on anything presented.

Mr. Castillo asked how the duty of care is affected given the transactional nature of these deals, especially considering the upcoming election and how during the previous administration the concept of duty of care was "thrown out the window" and the tolerance on transaction costs had changed.

Mr. Karimbakas stated that because cfX has clients across the country they are able to compare transaction costs to make sure clients are paying appropriate amounts and are able to alert them if costs are "off market." Mr. Karimbakas also noted that before any bond

structure is considered, cfX engages in robust analytical work. Anyone that speaks with a client at cfX is licensed as a municipal advisor.

Mr. Obaditch then provided summary details of the AZIDA mortgage revenue bond transaction that closed that morning. He noted that the \$4,000,000 provided by the Arizona Department of Housing allowed cfX to structure an extremely aggressive loan rate and generous down payment assistance program and pay costs of issuance. Mr. Obaditch estimated that 250 borrowers (homeowners) will be positively impacted by the transaction. The deal closed on June 20, but money will be spent the week of June 24, given that the loan program had begun being offered and loan reservations taken began back in April. Mr. Obaditch stated that, on average, the program will provide a \$265,000 loan and almost \$10,000 of down payment assistance, with the DPA forgiven in five years. Mr. Obaditch reiterated how well AZIDA's bonds did during the pricing period and noted that all the bonds were fully subscribed. The bonds priced so well that loan rates were able to be lowered by 25 basis points. Mr. Obaditch noted that the financing team had initially believed the \$50,000,000 of Series 2024A bonds would last until October, however, the program has grown so quickly that they now expect it will be fully committed by August 1. The program had \$65,000,000 of volume cap, which has been used. In order to issue more bonds, the transaction will need more volume cap, which is not available until January 1, 2025. Mr. Obaditch explained that without volume cap, any bonds issued would be taxable and the bridge between taxable bonds and tax-exempt would be approximately 100 basis points – taxable debt would be about 1% more expensive than tax-exempt debt. Which means, a borrower would be paying about \$265 more in interest on their home loan every month. In order to keep the program running and offer a continuous lending program, AZIDA will need to integrate taxable bonds with tax-exempt bonds into the program. To bridge lending capability to January, the program will need to issue about \$60,000,000 of taxable bonds in September. He explained that blending tax-exempt and taxable debt is a way to leverage the program in the form of lower rates, even if not as low as using all tax-exempt debt. Mr. Obaditch guessed that rates for issuances going forward could be in the 5.50-6.00% range. He noted it was unavoidable that rates will rise if the program keeps needing to issue taxable bonds. Mr. Obaditch then asked the Board for any questions.

Ms. Romano remarked that the presentation contained a lot of information and thanked Mr. Obaditch for the explanation. Ms. Romano hoped the Federal Reserve might do something nice before the September bonds were issued. Ms. Romano added that while there should be no correlation between the long-term, 10-year bond market and the mortgage market and Federal Reserve, we live in strange times.

Mr. Obaditch reiterated that they would be building this bridge to January with taxable bonds with the understanding that there is a mandate to do it at the lowest possible rate. Mr. Obaditch added that cfX will be creative with the debt structuring. Investors have a relationship with cfX and Barclays and they know the type of management and sophistication they are getting, which will benefit AZIDA in the long term by way of lower rates from investors, which will translate to lower rates for borrowers.

Ms. Romano asked if it would help if the State participated in the next issuance. Mr. Obaditch and Mr. Karimbakas enthusiastically confirmed that the State's participation

(cash infusion) would help the program. Mr. Obaditch added that financial assistance would translate dollar-for-dollar into rate and down payment assistance benefit.

Mr. Burns asked if his understanding that the first issuance was going out with loans at 5.50-6.00% but in August loan rates would go up to 6.50%, which Mr. Obaditch confirmed as correct unless more State resources were provided.

Mr. Swift added that 6.50% is a good rate with the down payment assistance, although it is a higher rate than the program's current offering. Mr. Swift noted that the challenge is that the program is still limited to homebuyers earning at or below 80% AMI. Ms. Romano agreed that is a challenge.

Ms. Romano and Mr. Swift then thanked the cfX and Barclays teams for their presentations.

4. **Discussion; No Board Action – Strategic Planning**

Dirk Swift informed the Board that a strategic planning session is being proposed for August. He indicated he will notify them via email to determine availability and potential discussion topics.

Ms. Romano shared that she has discussed with Mr. Swift having a third-party facilitate the session. She noted that there hasn't been any type of strategic planning since 2018.

5. **Discussion; No Board Action – Financial Summary of Fiscal Year 2024 and Fiscal Year 2025 Planning**

Dan Dialessi informed the Board that it is the time of year to look back at AZIDA's expenses and encumbrances and prepare for the "sweep" to the State Housing Trust Fund and Economic Development Fund as required by law. He shared a summary of AZIDA's financial balances and commitments as of May 31, 2024. Mr. Dialessi presented the earnings of each of the conduit bond program and the down payment assistance program. The conduit bond program brought in \$2.8 million while the down payment assistance brought in \$461,000. Mr. Dialessi noted that all the numbers would be updated prior to the sweep. Mr. Dialessi then went through the balances of AZIDA accounts, which he noted does not yet account for the single family mortgage revenue bond closing.

Mr. Dialessi then discussed expectations for 2025 and AZIDA's encumbered funds of approximately \$2.3 million. He explained that the amount included salaries, additional employees and legal expenses. Mr. Dialessi noted that there will be operating costs to maintain the "Arizona is Home" program and a credit rating to think of so funds will need to stay in the program. He shared that as of May 31, 2024, the amount of funds available to be swept is \$1.7 million to the Economic Development Fund and approximately \$350,000 to the State Housing Trust Fund. He noted that the amount being swept is lower than last year.

Mr. Swift added the down payment assistance program has typically run on a margin of 25 basis points to "the house," which is fairly narrow in a normal market. In some instances, he has had to drop the margin to 1 basis point, which is one reason the sweep is much lower than last year.

Ms. Romano noted that AZIDA is doing what the State has asked it to do by serving the people, so it is appropriate that the amount be lower this year. She added that money is going where it is supposed to go.

Mr. Dialessi noted that different interest rate environments favor different programs. The higher interest rate environments favor the mortgage revenue program and the lower interest rate environments favor the down payment assistance program. Mr. Dialessi explained that these programs will naturally rotate as the environment changes.

Ms. Romano responded that AZIDA will be very well rounded and thanked Mr. Dialessi for his presentation.

6. **Adoption of Minutes of the May 14, 2024 AZIDA Board Special Meeting and Executive Session and the May 15, 2024 AZIDA Board Regular Meeting and Executive Session**

Board member **Ken Burns** moved to adopt the minutes of the May 14, 2024 and May 16, 2024, AZIDA Board meetings. Board member **David Castillo** seconded the motion.

By a vote of 3 ayes, 0 opposed and 0 abstentions, the motion passed.

7. **Call to the Public**

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

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

8. **Announcements**

Ms. Romano announced that the next meeting of the Arizona Industrial Development Authority is scheduled to be held on Thursday, July 18, 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.

Ms. Romano also announced that she became a grandmother this week.

Mr. Burns announced that the State budget passed and the Arizona Commerce Authority has been continued by the Legislature for a full five years.

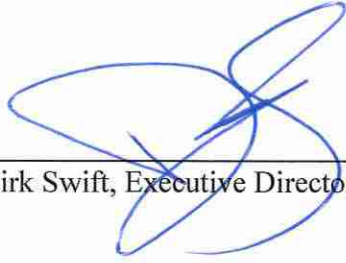
9. **Adjournment**

Board member **David Castillo** motioned for adjournment of the AZIDA Board meeting at 4:03 p.m. Board member **Ken Burns** seconded.

By a vote of 3 ayes, 0 opposed and 0 abstentions, the motion passed.

*[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

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July 18, 2024

Date of Board Action