

Meeting Minutes

**ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING**

Location: Virtual Meeting via Zoom

Date and Time: Thursday, July 18, 2024
3:00 p.m.

Board Members Present (Appearing via Zoom):

Ken Burns
David Castillo (joined the meeting at 3:03 p.m.)
Marcel Dabdoub
Robin Romano

Board Members Absent:

Andre Whittington

Staff Present (Appearing via Zoom):

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

Meeting Facilitator (Appearing via Zoom):

Kelly McGuire, Kutak Rock LLP

Presenters (Appearing via Zoom/Telephonically):

Nick Emenhiser, Development Manager of Cohen-Esrey Development Group
Ryan Watt, Senior Associate with Ulysses Development Group LLC

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, Marcel Dabdoub and Robin Romano attended via Zoom. Roll was called by Kelly McGuire, as meeting facilitator, and Mr. Castillo and Mr. Whittington were noted as absent. A quorum was declared present. Mr. Castillo then joined the meeting at 3:03 p.m. Ms. Romano asked the Board if they had any conflicts related to the items on the agenda. None of the Board members declared a conflict.

2. **Agenda Items Considered:**

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-28 – Authorizing preliminary approval 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 multifamily qualified residential rental project in Glendale, Arizona, for the benefit of a tax credit limited liability company or partnership to be formed by Cohen-Esrey Development Group LLC.

Nick Emehiser of Cohen-Esrey Development Group LLC (“CEDG”) informed the Board that CEDG has developed 53 low income housing tax credit projects (“LIHTC”), totaling approximately 3,000 units. In the past ten years, CEDG has completed 21 LIHTC projects across the country. Mr. Emehiser explained that the proposed multifamily affordable housing community will be located within the Glendale entertainment corridor, which contains sports arenas, shopping, restaurants and other anchors for economic development. The project will provide 132 units with a mix of units set aside for residents earning at or below 30%, 60% and 80% of the area median income (“AMI”). Mr. Emehiser noted that the majority of units will be set aside at 60% AMI. Mr. Emehiser added that the project will be located at the corner of 99th Avenue and the to-be-named Morten Avenue. Mr. Emehiser thanked the Board for their consideration and offered to answer any questions.

Ms. Romano was pleased with the written materials provided by the applicant and thanked Mr. Emehiser for his presentation. Ms. Romano noted that the rents CEDG is trying to accomplish in that particular area was impressive. She stated that the project will be located in a great area for workforce housing. Ms. Romano also noted that Mr. Castillo joined the meeting prior to the presentation.

Mr. Castillo thanked AZIDA staff for providing the board materials.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2024-28, 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. 2024-29 – Authorizing preliminary approval of not-to-exceed \$40,000,000 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 multifamily qualified residential rental project in Phoenix, Arizona, for the benefit of a tax credit limited liability company or partnership to be formed by Ulysses Development Group LLC.

Ms. McGuire noted that she had informed representatives of Ulysses Development Group LLC (“Ulysses”) that visual aids were not required.

Ms. Romano joked that the applicants should not listen to Ms. McGuire.

Ryan Watt of Ulysses provided the Board with a brief introduction to Ulysses Development Group, a development company based in Denver, Colorado. He added that Phoenix is a market on which Ulysses is focused. Mr. Watt explained that Ulysses is seeking

preliminary approval for a new affordable housing community referred to as “Salt River Flats 2”. Salt River Flats 2 is the second phase of an already completed community named “Salt River Flats”, which was financed with bonds issued by AZIDA. Construction of Salt River Flats was completed in March of this year and all 192 units have been fully leased up. Mr. Watt added that Dahlia Village, a 126-unit Ulysses project, was also financed with bonds issued by AZIDA. Both Salt River Flats and Dahlia Village also benefited from low income housing tax credits provided by the Arizona Department of Housing (“ADOH”). Mr. Watt explained that Ulysses has purchased 6.85 acres of land located immediately to the west of Salt River Flats to develop Salt River Flats 2, which will contain 168 units. Mr. Watt added that the area has a dramatic need for affordable housing, as demonstrated by the lease up of Salt River Flats, which experienced an absorption rate of over 40 units per month, leading to more than one move-in per day. Salt River Flats 2 will be made up of one to four-bedroom units set aside for residents earning at or below 60% AMI. Mr. Watt then offered to answer any questions.

Ms. Romano asked if all units will be restricted to 60% AMI.

Mr. Watt responded that the project will utilize income averaging and the overall average will be 60% AMI but that there will be some different set asides that contribute to that average.

Ms. Romano stated that was excellent and expressed her delight that the first phase was so successful.

Mr. Dabdoub expressed his amazement at how fast the lease up process was for the first phase.

Mr. Watt agreed and said the process was several months ahead of schedule which goes to show how significant the need for affordable housing is in that area.

Mr. Dabdoub responded that he could not imagine how Ulysses managed more than one move-in per day.

Mr. Watt stated that Ulysses’ management company, Mission Rock Residential, did a great job throughout the lease up process.

Mr. Castillo noted that eviction rates are rising given that rents are increasing and asked if Ulysses had any way to forecast how evictions might affect the lease up process on this second phase.

Mr. Watt stated that in general, the projects that Ulysses develops in Phoenix experience low evictions rates given the in-depth screening process of residents. Mr. Watt added that the residents that pass the screening are not likely to be evicted but he noted that he did not have the data in front of him.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-29, 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 congratulated Mr. Watt and stated that she hoped the second phase would be as successful as the first phase.

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

Dirk Swift shared with the Board that as of 2:00 p.m. on July 18th, the “Arizona is Home” single family mortgage revenue bond program (the “Program”) had 185 transactions in the pipeline, totaling \$48.4 million. He reminded the Board that the total issuance of the first phase was \$50 million for immediate loans. Mr. Swift stated that he anticipated the Program was within five to seven loans of closing out the first phase. He noted that he is logging into the system every 90 minutes to check the status. Of the 185 transactions in the pipeline, 92 have closed for approximately \$24 million, 21 borrowers are “clear to close”, and 72 are in a reserved status. Mr. Swift then described each status in more detail. In the reserved status, the lender has cleared the homebuyer, the homebuyer has an executed purchase contract, and at that point the lender makes a reservation in AZIDA’s system for the Program. In the “clear to close” phase, Mr. Swift explained that AZIDA conducts a preclosing review to ensure the homebuyer has been properly cleared. Typically, there is a week to 10 days between the “clear to close” phase and closing. Mr. Swift explained that this process differs from the down payment assistance program (the “Home Plus Program”) where that review is done post-closing because the Home Plus Program mirrors private sector mortgage process, which the lenders are familiar with. The mortgage revenue bond process is unique so there is extra precaution taken before closing. Mr. Swift added that he and Mr. Dialessi had a call with cfX and Barclays that morning to discuss the next issuance of \$15 million tax-exempt bonds and \$15 million taxable bonds. Mr. Swift explained that because this issuance contains taxable bonds the interest rate will be higher than the first issuance and anticipates the rate for this second issuance will be in the low sixes as opposed to mid-to-high fives. Mr. Swift added that the first issuance was completely tax-exempt debt and benefited from additional funds from the state housing trust fund. With the taxable piece in the second issuance, the rate will increase. He assured the Board that the rate will still be below market and that consumers will still benefit from the Program. Mr. Swift then offered to answer any questions.

Mr. Dabdoub noted the Program’s impressive ramp up.

Mr. Swift agreed and stated that he was initially worried about the 80% AMI restriction for homebuyers, which did slow the ramp up slightly, but that it is good to keep a consistent product in the market. He also noted the good press the Program received from the Governor’s office. Mr. Swift shared with the Board that there is a second element to the Governor’s Arizona Is Home initiative that goes by the same name, but is more individualized. For that program, the ADOH awarded funds to Trellis and Chicanos Por La Causa to provide down payment assistance and mortgage interest rate relief to low- and moderate-income first-time homebuyers across the state. However, under that program the assistance is provided at a granular, borrower-by-borrower level with customizations for each borrower. The second non-bond program still has additional shelf life and additional funding.

Mr. Castillo asked if Mr. Swift could speak to the geography that is being served by the Program.

Mr. Swift explained that of the 13 rural counties there are three counties where the Program has not had any presence: La Paz, Gila and Greenlee. Those counties are not as populated as the others. Mr. Swift explained that in his six to seven years of running the Home Plus Program, he guessed that there were 30 loans in that area during that entire time. For example, of the three lenders in La Paz County, there is only one approved lender (approved as a lender under the Program), and that lender is a one person operation. Mr. Swift added that the Program is seeing a lot of business in Pinal County and in Yuma County. Overall, the Program is spread evenly across the state. Mr. Swift added that for some reason the Program is very well received in Arizona City, which is located in Pinal County. Mr. Swift guessed that there are developers building homes in that area in the applicable price range.

Ms. Romano directed the Board members to the AZIDA sharefile which contains a report showing a geographic breakdown of where the loans are being originated. Ms. Romano noted that Pinal County has been the most popular. There has been one loan in Navajo County, eight loans in Mohave County, four loans in Coconino County.

Mr. Swift noted that the loans out of Coconino County came from Chino Valley and Williams. He added that the report Ms. Romano was referencing shows the history of the Program for the past three months.

Ms. Romano stated that the Program is very well distributed across the state, but will have to figure out a way to get into La Paz, Gila and Greenlee counties because they are underserved.

Mr. Castillo noted Mr. Swift's efforts to gain lender and broker interest in the Program through roadshows. He asked if there was a trend of interest by participants and how outreach could be increased.

Mr. Swift responded that there is an overall trend against down payment assistance because lenders must have the ability to close in their own name. He added that some larger lenders don't want to be involved in the Program because they want to retain the loans rather than sell them. Mr. Swift stated that the Program has greater success when there is a larger pool of lenders. The more lenders there are the more competition there is. He added that he has been relying on lenders reaching out to him. Mr. Swift also explained that there has been so much success with the Program in Pinal County because there is a greater lender base in that area. The margins in the lending community are very narrow and the cost to originate loans are high. Mr. Swift estimated that the cost to originate a single loan is \$13,000. He noted that AZIDA does not pay that much in compensation, so many banks do not want to participate in a lot of these loans. This restriction is fine when there is a large lender base but in areas with very few lenders, finding a lender willing to participate is very difficult. Mr. Swift added that the Home Plus Program faces similar challenges in these areas as well.

Mr. Castillo thanked Ms. Swift for the information. He also added that he has been trying to market the Program to his contacts.

Mr. Swift then added that he is doing more research on the HUD 184s he and Mr. Castillo had previously discussed and will have a report for the Board at the strategic planning session.

Ms. Romano asked if Mr. Swift would introduce the newest AZIDA staff member.

Mr. Swift introduced Deaunn Hampton, who will be helping with operations and administration and will be working closely with Mr. Dialessi. Mr. Swift added that he is excited for AZIDA to utilize Ms. Hampton's mortgage experience.

Ms. Romano welcome Ms. Hampton and shared that the Board is happy to have her join AZIDA.

Ms. Romano then shared that the Board is very pleased with how well the Program is running. She added that she is not surprised with how fast the money went because the need was deep. Ms. Romano also stated that AZIDA will need to convince the state to invest more funds because their money was well spent in the first issuance.

Mr. Dabdoub asked if there is a way to incentivize lenders in the underserved communities to participate in the Program.

Mr. Swift responded that he could try to develop customization for those areas. In the past he has used push-demand marketing through radio, billboard and print ads and will continue to be creative in marketing efforts and make the rounds again.

Ms. Romano noted that part of the problem is there are very few active lenders in those rural areas and many of the Arizona-based banks that previously served those areas are gone.

Mr. Swift shared that there has been a higher frequency of credit unions looking to sign up for the Program and added the solution to the problem might be that route.

Ms. Romano noted how proud she is of the success of the first issuance and is looking forward to the next. The Board will wait to hear more at the August meeting.

4. **Election of Officers.**

President Romano asked Mr. Castillo to lead the meeting during the election of the President. Mr. Castillo called for a nomination for President.

Board Member **Marcel Dabdoub** motioned to nominate Robin Romano as President. Board Member **Ken Burns** seconded the motion.

Mr. Dabdoub added that he thought Ms. Romano was doing a great job as President and thanked her for her service. Ms. Romano expressed her thanks and accepted the nomination as President.

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

Ms. Romano then resumed leading the meeting and called for a nomination for Vice President.

Board Member **Robin Romano** motioned to nominate David Castillo as Vice President. Board Member **Marcel Dabdoub** seconded the motion.

Mr. Dabdoub thanked Mr. Castillo for his service as Vice President.

Mr. Castillo accepted his nomination as Vice President.

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

Ms. Romano called for a nomination for Treasurer.

Mr. Dabdoub asked if the Board could nominate Mr. Whittington as Treasurer even if he was not present at the meeting.

Ms. Romano noted that Mr. Whittington let her and Mr. Swift know in writing that he was interested in accepting the position of Treasurer.

Ms. McGuire noted that the Board is fine to move forward with the vote despite Mr. Whittington not being present.

Board Member **Marcel Dabdoub** motioned to nominate Andre Whittington as Treasurer. Board Member **David Castillo** seconded the motion.

The Board members were individually polled – Ken Burns (yes), David Castillo (yes), Marcel Dabdoub (yes), Robin Romano (yes), and by a vote of 4-0, the motion passed.

Ms. Romano called for a nomination for Secretary.

Board Member **Ken Burns** motioned to nominate Marcel Dabdoub as Secretary. Board Member **David Castillo** seconded the motion.

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

Ms. Romano called for a nomination for Assistant Secretary.

Ms. Romano asked if the position of Assistant Secretary was necessary.

Ms. McGuire responded that until the Board changes the AZIDA bylaws to do away with the position, it should be filled. She shared that it is helpful to have multiple authorized

signatories and the Assistant Secretary is authorized to sign documents on AZIDA's behalf should other officers be unavailable.

Board Member **Robin Romano** motioned to nominate Ken Burns as Assistant Secretary. Board Member **David Castillo** seconded the motion.

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

5. **Adoption of Minutes of the June 20, 2024 AZIDA Board Meeting**

Board member **Marcel Dabdoub** moved to adopt the minutes of the June 20, 2024 AZIDA Board meeting. Board member **David Castillo** seconded the motion.

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

6. **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.

7. **Announcements**

Ms. Romano noted that Mr. Swift was working diligently on strategic planning materials and target dates.

Mr. Castillo asked what that targeted dates were for the strategic planning session.

Ms. McGuire stated that she believed the dates were August 18th and 19th.

Ms. Romano confirmed that the plan is to meet the afternoon of the 18th and finish by mid-day on the 19th.

Mr. Castillo is working to resolve a conflict during that week so he can attend. Ms. Romano thanked him for those efforts.

Mr. Dabdoub asked for confirmation of the dates, and Mr. Castillo identified August 18th and 19th.

Ms. Romano added that the Board is working to hold the strategic planning session in south Phoenix so that it is more convenient for Mr. Dabdoub coming from Tucson. Mr. Dabdoub thanked her. She added that she and Mr. Castillo unsuccessfully tried to have the session held in Flagstaff.

Ms. Romano asked the board members to put these targeted dates in their calendars.

Ms. Romano then announced that the next meeting of the Arizona Industrial Development Authority is scheduled to be held on Thursday, August 15, 2024, at 3:00 p.m., but noted that people should consult the AZIDA website for any changes to meeting details.


8. **Adjournment**

Board member **Marcel Dabdoub** motioned for adjournment of the AZIDA Board meeting at 3:47 p.m. Board member **David Castillo** seconded.

By a vote of 4 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

August 15, 2024

Date of Board Action